Electra

ANNUAL REPORT

For the year ended 31 March 2019

View Annual Report online

www.electra.co.nz/our-company/disclosures

Living Our Values

We are committed to our values which are:

Safety

Safety guides everything we do

- Safety is never compromised
- We all demonstrate leadership and commitment to safety every day

Respect

We treat our customers and colleagues as they would want to be treated

- We behave respectfully towards our customers, colleagues and stakeholders regardless of role and level of responsibility
- We act in a way that respects the different experiences and perspectives of others
- We act in ways that encourage others to respect us

Professional

Our people have the knowledge, skills and ethics to perform their role at a consistently high standard

- We plan our work and work to our plan
- We know our jobs and we are good at what we do
- We represent Electra in a positive, professional manner
- We keep our customers and stakeholders informed
- We are actively engaged in personal and professional development

Accountable

We account for and accept responsibility for our activities

- We are each accountable for our work, our conduct and our decisions
- Every team member contributes to our success
- We are efficient and safe with our use of time and resources

Integrity

We always do the right thing in all circumstances, no matter what the consequences will be

- We are honest and straight-forward with each other
- We develop and maintain effective relationships with customers, colleagues and stakeholders
- We work together as a team

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PERFORMING

The Electra Group

Established in 1922 as an electricity network business based in the Horowhenua region, today the Electra Group owns, operates and invests in a portfolio of infrastructure and technology-driven businesses with a nationwide footprint.

The Group is focused on delivering a range of products and services that contribute to the Group's overall financial performance and the value we are able to provide to our owners - the consumers connected to the Electra network. We are also committed to supporting regional growth and the wellbeing of the communities we serve.

There are 179 full-time-equivalent people employed across the Group, which comprises of the following businesses:

ELECTRA LIMITED

an electricity network company, based in Levin with a branch in Paraparaumu, employing 111 people.

ELECTRA SERVICES LIMITED

a medical alarm and security monitoring and call centre business based in Levin, employing 67 people.

ELECTRA GENERATION

an electricity generation business based in Papakura, Auckland, employing 1 person.

CONNECT 8

a joint venture with Spark that has created New Zealand's premier construction contractor for the water, power and telecommunications sectors.

Powering Our Region's Growth

OUR REGION

Electra is the electricity network owner and operator in the Kapiti and Horowhenua region on the west coast of the lower North Island, New Zealand. Our region stretches from Foxton and Tokomaru in the north to Paekakariki in the south.

We are one of 29 network companies in New Zealand, and the 9th largest network in terms of total connections.

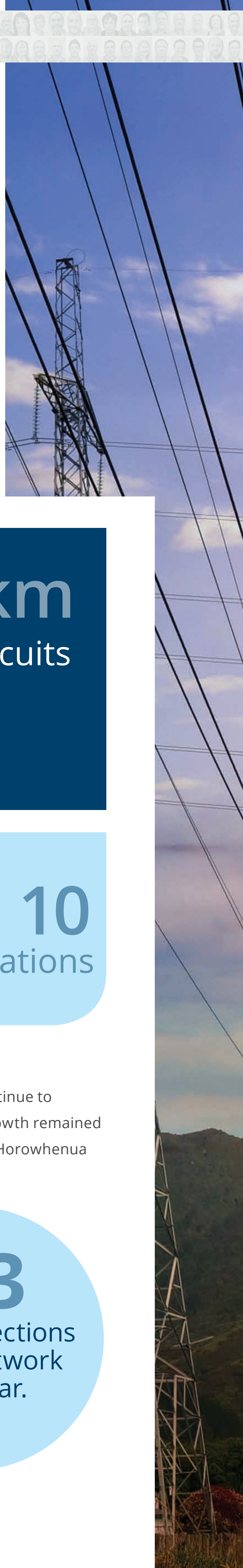
WE LOOK AFTER

44,987 electricity consumers

2,289km in circuits

20,291 poles

10 substations



IN ONE OF NEW ZEALAND'S FASTEST GROWING REGIONS

Major infrastructure projects such as the Kapiti Expressway and Transmission Gully roading developments continue to stimulate regional growth and create economic opportunities. Throughout 2018, business and employment growth remained strong across our region, contributing to a significant lift in living standards for the year, with Kapiti (4.7%) and Horowhenua (4.2%) outperforming the national average (3.7%)[1].

101,000 the forecast population of the Kapiti and Horowhenua region by 2043[2] (currently estimated to be 84,844)

2,201 new residential building consents issued in our region over the last 5 years (2014-2018), with 489 issued in 2018.

503 new connections to the network this year.

1. Infometrics Economic Monitor, December 2018 2. Statistics NZ forecast

Est. 1922

For 97 years we have distributed electricity to consumers throughout our region

SUPPORTING THE LOCAL ECONOMY

100% consumer owned

179 staff employed across the Electra Group

$13.4M spent directly supporting local people and businesses

$51.5M in total Group revenue

$196M in sales discounts (incl. GST) issued to electricity consumers over the last 26 years

KEEPING PRICING COMPETITIVE

$9.1M in sales discounts (incl. GST) issued to our consumers in 2019

20 electricity retailers operating on our network ensure strong electricity price competition

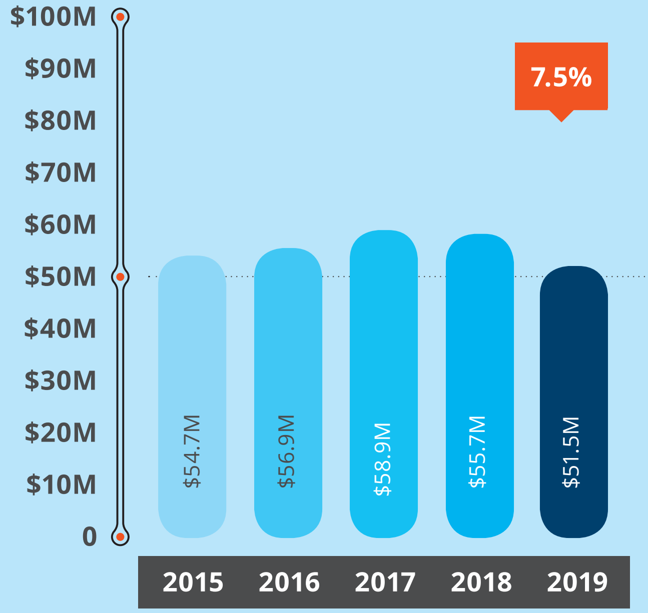
Special ‘time of use’ and ‘low user’ network charges designed to create fairer pricing for our consumers.

We are regulated by

New Zealand’s electricity market (NZEM) is regulated by the Electricity Industry Participation Code administered by the Electricity Authority (EA), an independent Crown Entity. Suppliers of electricity lines services are subject to regulatory provisions under the Commerce Act 1986. As a ‘consumer-owned’ network company we are exempt from the default/customised price-quality regulation under Part 4 of the Commerce Act 1986.

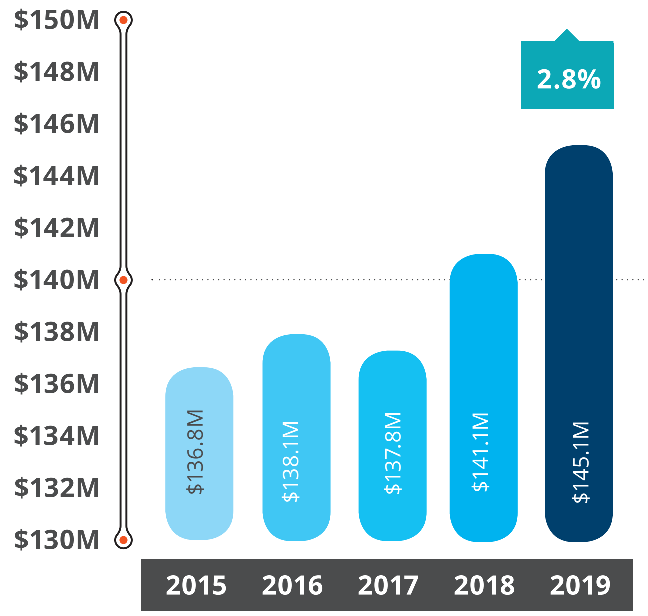
Financial Performance

TOTAL GROUP REVENUE



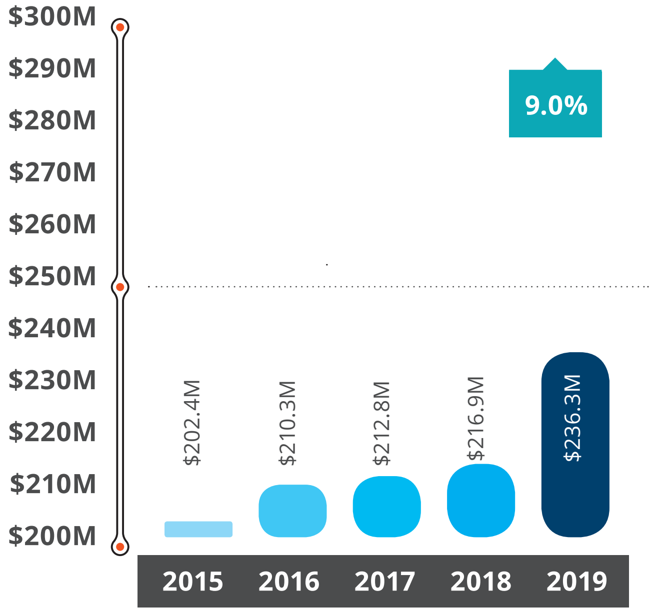
The total revenue generated from sales, interest earned and other revenue generating activities from companies held in the Group. Variation between years include annual growth and revenue from investments and divestments.

TOTAL SHAREHOLDERS' FUNDS



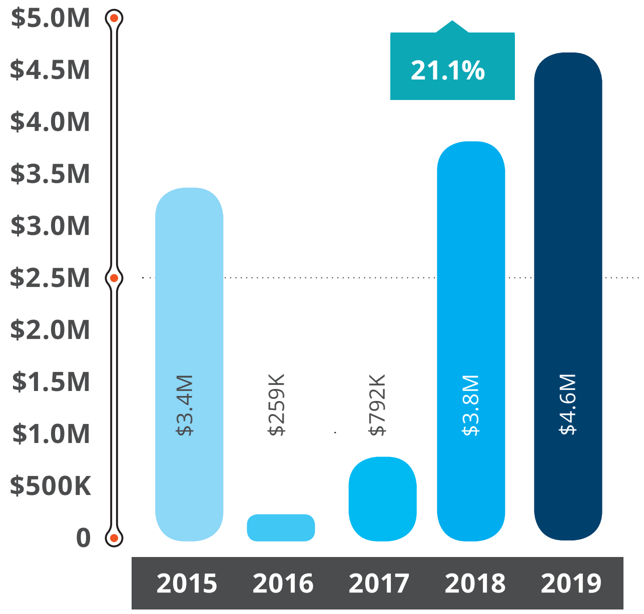
This is the amount that our owners have invested in the company. It's made up of the original share capital reserves (the value that's been built up over the last ten years), and retained earnings (profits that have been reinvested).

TOTAL ASSETS



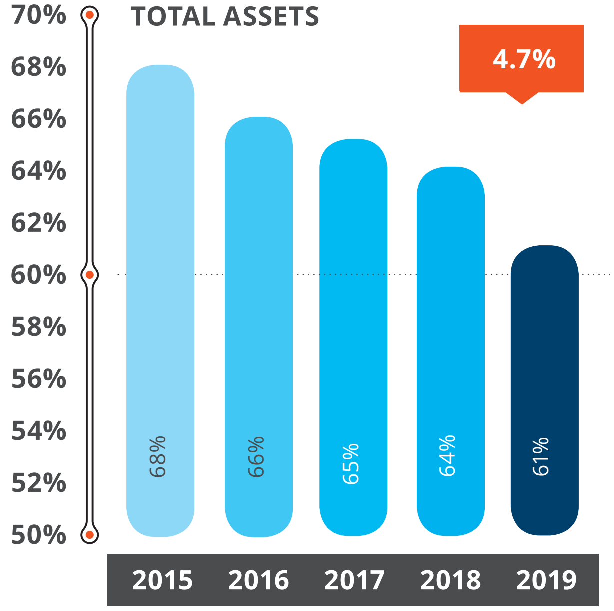
The Statement of Financial Position value of assets held in the Group.

NET PROFIT AFTER TAX



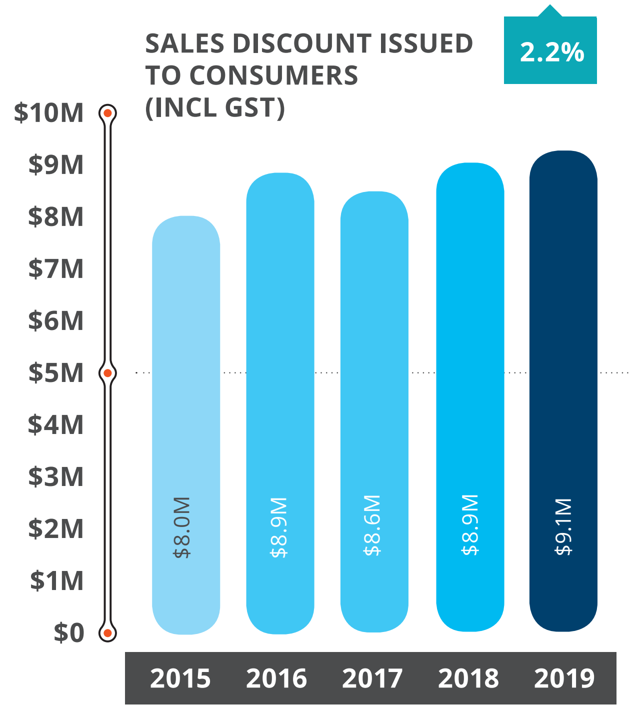
The profit we are left with after the sales discount is paid and the costs of running the business are deducted.

SHAREHOLDERS' FUNDS TO TOTAL ASSETS



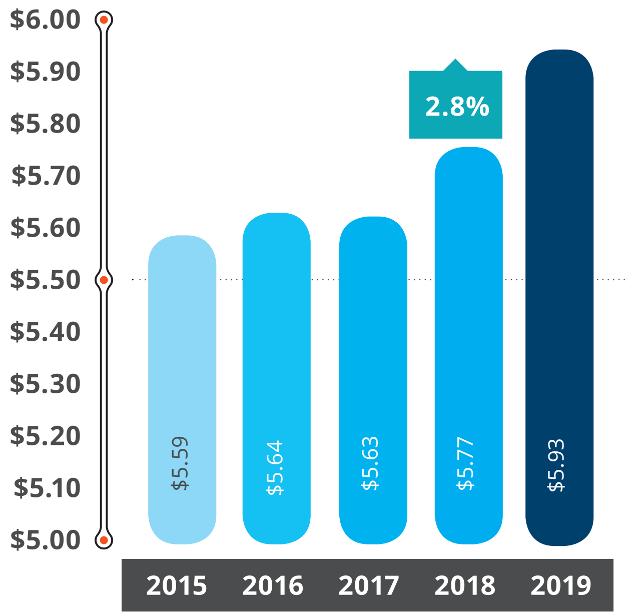
The ratio that shows the portion of the company's assets financed via shareholders' equity. Investment acquisitions financed will continue to lower this ratio.

SALES DISCOUNT ISSUED TO CONSUMERS (INCL GST)



The sales discount paid to each individual consumer connected to the network is based on a fixed amount plus a percentage of the network charges paid. Sales discount per ICP continues to increase.

NET ASSET BACKING PER SHARE



This is the net asset value of each share held recorded at the end of each financial year. Increasing values record growth of net assets.

Chair Report

It is my pleasure to report to you on our performance for the year to 31 March 2019.

> *The Electra Group is ur*
> *managing infrastructu*

The Board and Senior Leadership Team are following an ambitious 10 year strategy (2017-27) to generate substantial growth for the Group. Part of this strategy has been to invest in companies and technologies that complement the Group's core (electricity network) business and provide opportunities to add value and expanded services that enhance the benefit we can deliver to the Group and its owners – the electricity consumers connected to the Electra network.

Over the year we saw a strong, focused execution of this growth strategy resulting in a number of key acquisitions, further investment in technology solutions that provide both operational efficiencies and growth opportunities, and the creation of a joint venture investment with Spark that has generated immediate positive returns for the Group with significant future upside potential.

The Electra Group has delivered a strong financial performance for the 2018/19 financial year. The balance sheet remains strong with significant capacity available for investment.

This year's operating revenue of $51.5m is below last years ($55.7m) due largely to the sale of Sky Communications Limited.

The Group's Net Profit after Tax for the 2018/19 financial year was $4.6m, a 21% increase on the previous year ($3.8m). A total of $9.1m (incl. GST) in discounts were credited to our consumers (via their electricity retailers) for the year.

POSITIONING THE GROUP FOR FURTHER GROWTH

The Electra Group plays an important part in supporting and encouraging regional economic growth; identifying local investment opportunities and supporting change through engagement with like-minded businesses and organisations.

We enjoy positive working relationships with both Kapiti and Horowhenua district councils and share a similar vision for the regions and the opportunities that exist to create economic growth.

We are focused on delivering a safe and reliable electricity supply to everyone connected to our network, with the flexibility and capacity to meet both current and future demand and needs.

The growing importance of technology in our lives, combined with the rapid emergence of new technologies are challenging the way networks operate and respond to increasing electricity demand and customer expectations.

We are building a smart network to better meet these demands. Self-healing technologies give us the ability to control the network effectively and remotely, often without human intervention, and predictive technology is allowing us to provide proactive, accurate and real time information and service to everyone connected to our network.

At the same time we are planning for the future electricity network, particularly in terms of continued industry and technological disruption and what this means for network growth and design.

Changes in the supply, cost and use of energy sources, combined with technology advances, mean that viable and efficient electrical solutions now exist for an increasing amount of applications. Meanwhile the growth in distributed generation, where energy is generated at or near where it is to be used, poses challenges and creates opportunities for network design, and localised generation and storage.

The lack of planned new investment in large scale electricity generation, coupled with a desire to end coal, oil and gas-fired generation, presents possible opportunities for smaller, more localised generation plants, and we continue to evaluate this area of the market.

Alongside our core business, we are also investing in complementary business opportunities that offer significant growth potential for our business.

niquely positioned to play an increasing role in developing and re assets that are critical to the region's wellbeing."

INTERCONNECTEDNESS CREATES OPPORTUNITIES

Electra Services Limited brings together a modern contact centre capability with 24/7 security alarm monitoring, automation services and independent living support services. Exclusive rights to a world leading 'smart' technology platform that allows proactive response to customers' security, lifestyle and health care needs, were also secured.

Over the last two years we have grown scale in the security monitoring area of the business through acquisitions. In 2018 we purchased Bupa's medical alarm division, providing the business with both a new product line and a nationwide footprint.

New Zealand's aging population and the lack of aged care facilities throughout the country provides significant future growth opportunities for Electra Services; and especially in our own region with proportionately more over 65's and fewer of them in aged care facilities. Opportunities exist to deliver a broad range of security and independence solutions to meet the needs of existing and new customers both individually, as specific clusters (e.g. retirement facilities), or through strategic partnerships (e.g. local government, government ministries, etc).

Meanwhile the growing importance of mobile and Cloud-based applications in everyday life, and the telecommunications capacity required to meet increasing data needs is placing continuous pressure on New Zealand's mobile and fibre networks.

In May 2018 we invested in a joint venture opportunity with Spark taking a 50% stake in the buried infrastructure contracting business, Connect 8.

The investment has immediately delivered significant benefits to both shareholders and is well positioned to expand into new infrastructure sectors. The strategic direction of the business aligns perfectly with Electra's own strategic aspirations, and the growth potential is substantial.

While we will continue to seek acquisition opportunities that complement our core capabilities, particularly in related infrastructure, we will also be focusing our attention on delivering more organic growth from our existing businesses.

SETTING THE DIRECTION

Over the year we have continued to strengthen the capability of the management team, both in terms of appointments and training and development.

At the Board table we continue to be diligent in ensuring that we have the right mix of skills, appropriate diversity, rotation and succession planning.

Significant progress has been made in embedding a health and safety culture across the business over the last few years. It remains a critical focus for the Group.

We have continued to enjoy a positive working relationship with the Electra Trust. We are now implementing a joint communication plan to become more effective in our community engagement.

We have worked closely with the Electra Trust to ensure our views at a national level were presented to the Electricity Authority's formal industry pricing review, and to align our business with the underlying direction the review has provided to the industry.

ACKNOWLEDGEMENTS

On behalf of the Board I would like to thank Electra's Chief Executive Neil Simmonds and his Senior Leadership Team for their outstanding efforts in delivering another excellent performance and a strong financial result for the year.

This was only possible with the continued commitment and contribution of staff from across the Electra Group in meeting the company's goals, and for their vigilance and commitment in working towards our zero harm health and safety target.

The Board farewelled Russell Longuet after 10 years of exemplary service and welcomed Mike Underhill who brings with him considerable industry and management experience.

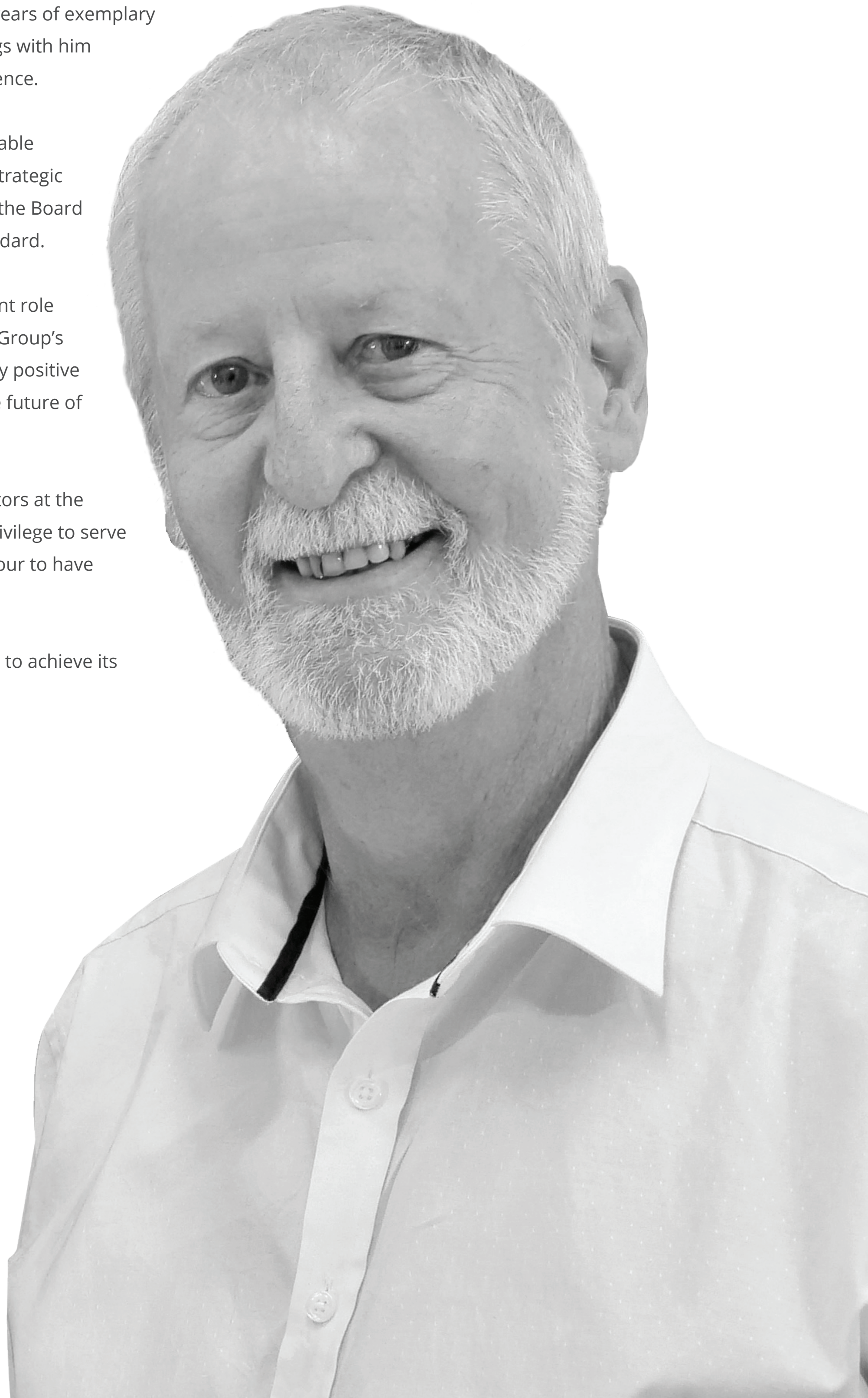
To my fellow Directors, thank you for the invaluable contribution you make to the governance and strategic direction of the Electra Group and for ensuring the Board continues to perform its role to a very high standard.

Finally, I would like to acknowledge the important role the Trustees have played in contributing to the Group's overall success this year. We enjoy an extremely positive working relationship and a shared vision for the future of the Electra Group.

I will be retiring from the Electra Board of Directors at the annual general meeting in July. It has been a privilege to serve the Group for the last twelve years, and an honour to have served the last three years as its Chair.

The Group is in great shape and well positioned to achieve its ambitious future growth targets.

Neil Mackay
Chair



Chief Executive Report

HE RAU RINGA E OTI AI
WITH MANY HANDS THE JOB WILL BE FINISHED

We are proud to have delivered another strong annual result this year on the back of positive contributions from across the Group. This has allowed us to increase the sales discount that we pay to everyone connected to our network and reduce prices in the coming year.

We have achieved our best safety outcome in the company's history, our network reliability improved and we have continued to invest in people and systems for the future.

A GROUP RESULT

The core network business once again reported a solid financial performance for the year ended 31 March 2019.

We have continued to focus on improving operational efficiency, supporting regional growth and enabling the adoption of disruptive technologies such as smart networks, electric vehicles (EVs), solar photovoltaics and battery storage. This includes ensuring we have the right technology, pricing, and products and services in place to meet the rapidly changing needs of energy users.

Our commitment to continue delivering a high quality network service to our region is shown within the 2019 Asset Management Plan. It shows we will spend an average of $15 million per year for the next 10 years on new capital and operations within our network business.

The December 2015 purchase of the Papakura Power Station created Electra Generation Limited, giving the Group 4.7MW in connected generation from its gas and diesel sets.

Over the last twelve months the electricity spot market has experienced periods of sustained high prices and also significant volatility, creating perfect conditions for peak generation and allowing Electra Generation to produce a positive result for the Group.

Electra Services Limited was established in 2017 and is one of the few 24/7 call centre operations in our industry. More importantly, it is a profit centre for the Group. The security monitoring operation has experienced significant growth over the last two years through a number of acquisitions. This acquisition strategy continued in 2018 with the purchase of the medical alarm business formerly owned by Bupa, giving Electra Services a new (but related) business stream and a nationwide footprint.

Aged care and the provision of services that allow the elderly to continue to live safely in their homes for longer has appeal for individuals, families and social agencies alike. The large investment we have made in bringing the Essence technology platform to New Zealand and the current high level of new customer connection, means Electra Services is well positioned to become a major player in this market.

In addition to the Group's wholly owned businesses, we are constantly seeking investment opportunities that will deliver growth to the business and value for its owners.

Established in 1997 and purchased by the Electra Group in 2009, Sky Communications Limited had become a leading telecommunications contracting services company, providing innovative and cost-effective mobile and wireless solutions for New Zealand's major mobile providers.

At the same time Connect 8, a wholly owned Spark subsidiary, had established itself as the leading experts of buried infrastructure (including fibre) contracting services.

There were obvious synergies to be achieved in bringing together these two complementary businesses to create a broader capability, so in May 2018 the decision was made to sell Sky Communications Limited to Connect 8 and buy a 50% stake in the expanded Connect 8 business.

This joint venture has already delivered a significant return on investment and offers substantial future growth potential.

TECHNOLOGY REMAINS A KEY ENABLER

Technology remains a key enabler for the Group and we have continued to invest in systems that improve our operations and deliver greater service to our customers.

An important project for the Group saw the implementation of a full CRM (customer relationship management system) for the first time, giving our people greater visibility of our customers and allowing for more responsive and personalised communication with them. Initially implemented within Electra Services, the system will be rolled out across the network business over the coming year.

At the same time the implementation of a formal data strategy is helping the Group to bring together data from numerous systems to create a 'single version of the truth' that will improve understanding and decision making.

We also have continued to invest in smart network technologies, using an industrial version of the 'internet of things' to allow the network to communicate and respond with itself (often without human intervention), particularly with respect to faults and their management.

System and data security is a critical focus for our business and we are constantly monitoring performance and making improvements.

In March we conducted a full business continuity exercise to test our systems and processes and identify areas that required further attention. We also engaged with Aura Security to conduct a full review of our systems and produce a comprehensive ICT security report.

ENGAGING WITH OUR STAKEHOLDERS

The Board and the senior leadership team continue to enjoy an open and collaborative working relationship with the Electra Trustees, and we look forward to continuing this positive relationship over the coming year.

We now have a formal customer communication plan in place that will see us undertake a series of communication activities over the coming year; sharing a broad range of network and energy-related information – from outage information and electricity pricing, through to advice on energy efficiency and the adoption of new technologies.

OUR PEOPLE ARE OUR GREATEST ASSET

The electricity industry, in particular, faces challenges in terms of the availability of qualified workers. To overcome this, in 2018 we undertook an international recruitment of twelve field staff that enabled us to fill vacant technical positions within our network teams.

These new members of our team arrived in New Zealand during December and January and have been receiving the necessary training to allow them to operate on our network.

As a result, our business has a fully qualified and capable team in place to keep doing what we do best – deliver a safe and reliable electricity supply to everyone connected to our network.
Sitting alongside our recruitment strategy is our health and safety policy. Keeping the public and our people safe is our greatest priority. We take our health and safety commitments seriously and have been implementing a continuous improvement process that will help us to achieve our zero harm target.

While we still have improvements to make, it is pleasing to report the longest period free of lost time injuries ('LTI') in Electra's history, enabling us to achieve our LTI target for the year. I would like to thank all our people for accepting shared responsibility in this aspect of our business and working together to ensure we can all go home safe and well at the end of each day.

SENIOR MANAGEMENT CHANGES

During 2018 we bid farewell to two members of the senior leadership team who have made significant contributions to the Group over the last few years. Deputy Chief Executive, Steve Gregan led a number of the Group's recent key acquisitions, while Chief Financial Officer, Deborah Selby introduced robust systems and processes that greatly improved the Group's reporting and decision making. In December we appointed David Toon to the role of Chief Financial Officer.

LOOKING AHEAD

In July this year our Chair, Neil Mackay, will be retiring from the Board. I want to personally thank Neil for his twelve years of service to Electra; he has always been totally committed to the success of the Electra Group. I have enjoyed the close support and open and constructive relationship that we have shared. He leaves the Electra Group in a positive financial position with strong shareholder equity and a diversified asset and revenue base.

While our growth strategy is ambitious, it remains focused on increasing revenue streams and maximising the value we provide to our owners.

Our capacity to support regional growth opportunities through the delivery of a reliable and affordable electricity supply has been greatly improved over the last year, as has our service offering. We are well placed to meet local needs now and into the foreseeable future.

Regional business growth continues to be strong in the Kapiti region and slower in the Horowhenua, reflective of the government's investment in large infrastructure projects that have so far been confined to the southern part of our network. We expect that growth will emerge in the northern areas in the coming years as further investment is made in infrastructure, although some uncertainty exists around the level of investment to be made.

Our customers continue to have NZ's lowest average power bills."

Meanwhile our other investments provide opportunities for significant growth, and returns, at a national level.

It has been a pleasure to work with my team, the Board and the Trustees once again this year. This excellent financial performance has been achieved in large part to the transparent, honest and positive way we have worked together.

It is a privilege to lead the team that are guardians of this precious taonga for the people of Kapiti and Horowhenua.

I believe the company is well positioned to serve the next generation too.

He waka eke noa
"A canoe which we are all in with no exception"

Neil Simmonds
Chief Executive, Electra Limited

Neil Mackay - **Chair**

Neil has held CEO and senior leadership roles in New Zealand, UK, Hong Kong and Australia, in a wide variety of industries including power construction, manufacturing, sales and distribution, financial services, transport and the public service. He was the inaugural Chief Executive of Industry New Zealand (INZ), a crown entity responsible for industry and regional development. Under his leadership INZ was acknowledged by the OECD as having "economic programmes and strategies that were at the forefront of best practice internationally".

Neil has extensive governance experience in a broad range of sectors and organisations, covering transport, regional economic development, energy, services, manufacturing, finance, non-profit and new technology companies. He is currently an executive director of new technology businesses including; Injection moulding manufacturing (polymer, metal and ceramics), and water security (quality monitoring, risk management and water & waste water treatment).

Neil was appointed Director of Electra in 2007 and Chair in July 2016.

Mike Underhill

Mike Underhill has had a range of governance roles in the energy sector. He is currently a Director of Network Waitaki Ltd, and has just stepped down as chair of the Security and Reliability Council. Previous director roles have included TransAlta NZ, Citipower and EECA.

Mike has had extensive energy sector experience as a chief executive including EnergyDirect, WEL Networks, EECA and TransAlta. He is passionate about energy efficiency and renewable energy, and is a strong promoter of electric vehicles (he owns two).

He has a degree in electrical engineering, a master's degree with honours in economics and has completed the Advanced Management Programme at Harvard.

Mike has strong family roots in the Horowhenua and he and his wife spent some years on Volunteer Service Abroad in Samoa.

Mike was appointed as a Director of Electra in August 2018.

John Boshier

John Boshier (FEngNZ ME MBA) holds a number of governance positions after extensive general management experience in energy and engineering companies. He is a Director of two crown entities; the Standards Approval Board from March 2016 and the Accreditation Council from July 2014.

He is presently treasurer and trustee of the Harkness Fellowships Trust Board, and a trustee of the Sir Paul Callaghan Eureka Trust; both being educational not-for-profit trusts. His professional association is a Fellow of Engineering New Zealand.

Previously John was Executive Director of the National Generators Forum, the representative body for Australia's electricity generators, and Chief Executive of Engineers Australia, the professional institution for all engineers.

Before moving to Australia in 1999, he was a General Manager in the Electricity Corporation of New Zealand, and Chief Executive of Capital Power, Wellington's electricity retailer. These were exciting positions in the electricity generation and supply industry.

John's community involvement is through the Rotary Club of Wellington, and he was resident for six months in the Stout Research Centre at Victoria University of Wellington.

John was appointed a Director of Electra in August 2016.

Board of Directors

Shelly Mitchell-Jenkins

Shelly Mitchell-Jenkins (BBS FCA CMInstD) is a Fellow Chartered Accountant and Chartered Member of the NZ Institute of Directors.

Shelly is a Director of Colbert Cooper Limited, a chartered accountancy practice located in Levin, providing business, accountancy and tax services to clients throughout the region and across NZ. She is currently Chair of the Eastern and Central Community Trust and is a Trustee of Horowhenua based charitable trusts, Levin Charitable Trust and Horowhenua Scholarship Trust. Previously she has served as independent director of Oxford Finance Corporation Limited, elected District Councillor for the NZ Institute of Chartered Accountants, Trustee of the Life to the Max Horowhenua Trust, Trustee of Horowhenua Events Centre Trust and on the Board of Nature Coast.

Brought up in Whanganui and with a BBS from Massey University, Shelly worked for Audit NZ and the Office of the Auditor General before spending several years in Japan and then settling in Levin in 1996.

Shelly was appointed a Director of Electra in 2014 and is Chair of the Risk and Audit Committee.

Chris Dyhrberg

Chris has held several executive roles within Telecom New Zealand and Chorus New Zealand. He has experience across multiple disciplines including commercial, strategy, marketing, product management, industry and stakeholder management, engineering and infrastructure build and has worked in the ICT, health, education, local government and electricity sectors.

Chris is currently the Chief Customer & Operating Officer at Palmerston North City Council and is also a director of Swimming Wellington and trustee on the Kapiti College Board of Trustees. He holds degrees in law and commerce from Otago University and is a Member of the Institute of Directors in New Zealand.

Chris was appointed a Director of Electra in 2014.

Alan McCauley

Alan McCauley (BCA MBA PGDFA CMInstD) is a Senior Executive with substantial experience in the Electricity Sector. He has held senior executive positions with Meridian Energy as General Manager Retail and Red Energy (in Victoria, Australia) as General Manager Customer Management.

He currently has his own Management Consulting Business operating across New Zealand, Australia and Asia.

A competitive runner, Alan has competed in the World Masters Mountain Running Championships and has also been a Director on the Board of Athletics New Zealand and Athletics Victoria. In his spare time he now enjoys running over the hills behind Kapiti.

Alan was appointed a Director of Electra in August 2016.

Powered by Our People

The success of our business is directly linked to the performance of our people. We need the best people in our business to enable us to deliver our commitments to our customers, stakeholders and the communities in which we operate.

We are proud of the high level of skill and capability of our people. We remain committed to developing and equipping them with the skills and technology they need to perform their roles to the highest standards in quality, safety and customer service.

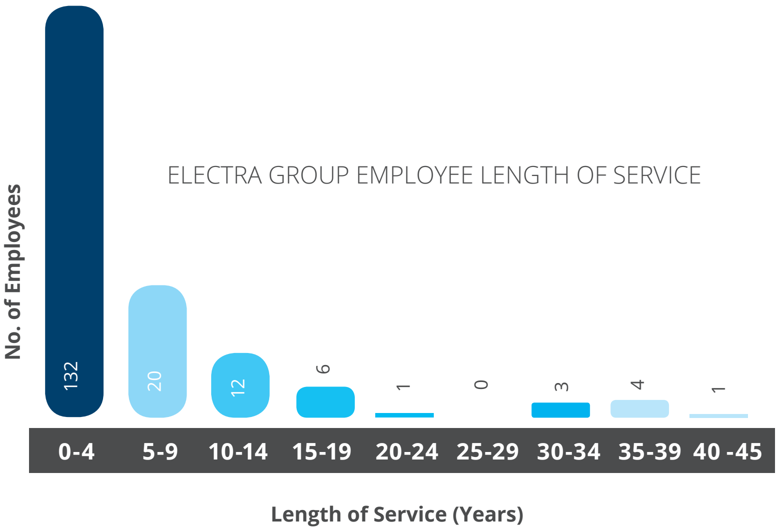
BULA TO OUR NEW INTERNATIONAL RECRUITS

The extent of the national skill-shortage for qualified line mechanics and electricians became apparent in 2018 when a series of nationwide recruitment campaigns resulted in limited success, leading to the decision to commence an international search for qualified personnel.

In July 2018 a campaign was launched in Fiji to attract qualified line mechanics to New Zealand, with a recruitment team landing in Suva in August to interview a number of qualified candidates.

This initiative saw ten line mechanics and two electricians being offered positions at Electra with all twelve gaining the relevant visas under the Long-Term Skill Shortage List.

Officially joining Electra over December 2018 and January 2019, the men were taken through a structured induction programme that introduced them to the New Zealand way of life and to the Electra Network. The line mechanics also undertook a month-long course to achieve full registration with the Electrical Workers Registration Board (EWRB) and the equivalent Level 4 National Certificate in Electricity Supply Distribution Line Mechanic, while our two new electricians will also be working towards full registration with the EWRB.



SAFETY GUIDES OUR ACTIONS

Health and safety is a major strategic priority and we are committed to improving our performance through a process of continuous improvement with the ultimate aim being to achieve zero harm.

At Electra health and safety is a shared responsibility, a core business function, our number one rated risk and a company value. It forms an important part of our People and Capability Strategy (2018-21) and is a key focus at our Board and senior leadership level.

In 2018 the Board created a Health and Safety Committee to demonstrate the Group's commitment to health and safety at the governance level. Members of both the Board and senior leadership team attend business unit health and safety meetings and carry out site visits to reinforce safety messages.

Meanwhile the number of health and safety representatives across the business has been increased from four to ten.

Over the last year critical health and safety risks (those with the potential to kill or seriously harm people) have been identified and plans developed to eliminate or minimise these risks. Other initiatives have included internal health and safety audits (with resulting action plans), the introduction of job safety analysis forms as part of the scoping and planning stage, continued roll out of the 'Vault' health and safety software tool, and the introduction of two-piece overalls to improve flexibility and comfort for staff working on the network.

The impact of our health and safety initiatives has been considerable: in 2019 we reported three lost time injuries (versus nine in 2018), while the total number of days lost, as a result of these injuries (nine days) fell 67% compared to 2018.

This is significant progress in terms of our target of zero harm. We would like to acknowledge the contribution of team members in our Health and Safety and Wellbeing Committees in engaging with senior leadership and management staff in safety conversations and sharing the learnings from incidents that are investigated.

HELPING TO IMPROVE FINANCIAL HEALTH

Each year we identify a specific aspect of staff wellbeing that we want to help our people with, then develop a programme of information and support. In 2018 we chose to focus on financial health, with the BNZ asked to run a series of presentations and all staff offered a free 1:1 Financial Health Check.

67%

REDUCTION IN LOST TIME INJURIES

The improvements we have made in our health and safety practices in recent years has seen significant reductions in the incidence of Lost Time Injuries (LTI). This year saw LTIs fall a further 67% (2019 vs 2018).

3

LOST TIME INJURIES (LTI)

41%

of Electra Staff are Female. (74 Employees)

8,920

TRAINING HOURS COMPLETED

In the year to 31 March 2019 our staff completed 8,920 hours of training - an average of 51 hours of training per staff member.

59%

of Electra Staff are Male. (105 Employees)

100%

FIELD CREW COMPETENCY

In 2018 we celebrated 100% competency with our field crew on their EWRB assessments – our best ever result.

3

NEW TRAINEES WELCOMED

At Electra we look to develop our own talent through our apprenticeship programme. In 2018 we were pleased to welcome three new Trainee Line Mechanics to our company. Our four Line Mechanic Trainees that were recruited in 2017 will become fully qualified this year.

12

NATIONAL CERTIFICATES ACHIEVED

During the year twelve of our team completed their national qualifications, including: 2x Chartered Accountancy, 1x National Certificate Electrical Engineering (Electrician for Registration) Level 4, 1x National Certificate Electricity Supply (Power Technician) Level 5, 3x National Certificate Electricity Supply (Line Mechanic Distribution Live Stick Work up to 66kV) level 4, 3x National Certificate Electricity Supply (Line Mechanic Distribution Live Work Glove and Barrier up to 33kV) Level 5, 1x National Certificate in Electricity Supply (Utility Arborist) Level 3, and 1x National Certificate in Horticulture (Arboriculture) Level 4.

CARING

100% Consumer Owned

Electra is wholly-owned by its 44,987 consumers, stretching from Paekakariki in the south to Foxton and Tokomaru in the north. 'Shares' in the company are held on behalf of all consumers by a Trust whose six Trustees are elected under a Trust Deed to represent the owners' interests and protect their asset.

Anyone who is connected to the Electra network (i.e. a residential or business owner who has a dedicated ICP number as shown on their power account) is eligible to stand for election to the Trust.

Under the Trust Deed, Trustees are individually elected for three years. Once a year, the two longest serving Trustees in office must either retire or stand for re-election, thus providing an annual opportunity for change in representation.

Amongst its many roles, the Electra Trust is responsible for appointing the Directors of Electra Limited, commissioning ownership reviews (from time to time), maintaining open communication with owners, and working with the Board and senior management team to ensure any surplus funds generated by Electra Limited are returned to the owners in the form of an annual sales discount.

The Trust is encouraged by the company's work in further developing a forward looking strategy to focus on and invest in our region. This builds on the already excellent reputation Electra has established. At a time of change and challenge in the energy sector our owners can be assured their interests continue to be paramount.

SHARON CROSBIE CNZM OBE CHAIR

*Over the last 26 years we are proud to have been able to deliver more than **$196m** in sales discounts to the consumers on the Electra network.*

$9.1M
IN SALES DISCOUNTS ISSUED IN 2019

Your Electra Trustees

> ## *Owning our first home and then finding out it wasn't insulated was a major concern for us.*
>
> *My little boy suffers from respiratory issues and has been in and out of hospital for much of his younger life so we knew that we had to do something, but having to find the extra finances was going to be a big issue. Then I came across the opportunity to be fully subsidised for home insulation. I was blown away by this kind gesture as it meant a warm and healthier winter for my children – thank you EECA and Electra.*
>
> Bronwyn, Horowhenua

Warmer Kiwi Homes is a Government programme that helps low-income households to install ceiling and underfloor insulation, and ground moisture barriers to make their homes warmer, drier and healthier.

In December 2018 we announced that we had formed a partnership with the Government agency, EECA, to jointly fund the installation of insulation into 70 homes in the Electra network area; a $150,000 commitment to the community.

Supporting Community Wellbeing

At Electra we are committed to stimulating regional growth by supporting and promoting activities that will generate business and employment opportunities in Kapiti and Horowhenua.

BUSINESS NETWORKING EVENTS

In 2018 we continued to provide local businesses with networking opportunities and access to top quality business and related speakers through our sponsorship of the Kapiti Electra Business Breakfasts and the Levin "Business After 5" events.

HOROWHENUA TASTE TRAIL

Launched in 2016, the Horowhenua Taste Trail is a self-drive adventure through Horowhenua's specialist food producers, providing the public with a unique opportunity to get behind the scenes, and sample delicious fresh produce, directly from the source. This event celebrates the richness and diversity of all that is grown and produced in the region and is a celebration of local producers that demonstrate excellence in their specialist categories. It was a privilege to be a supporting sponsor for the event when it was held on Saturday, 24 November 2018.

HOROWHENUA AP & I SHOW

An annual event for more than 100 years, in January 2019 we were proud to be one of more than 50 exhibitors at the Horowhenua AP & I Show. The show is a celebration of the region's rural heritage and brings together our rural and urban communities for a fun filled weekend of displays, exhibits, competitions and entertainment.

PROMOTING COMMUNITY GROUPS

Alongside our support for local business, we provide local community organisations an opportunity to promote themselves and the positive work they do in the community through free advertising space in a "Caring for our Community" page in the Kapiti and Horowhenua weekly newspapers.

> "We know that outstanding local businesses contribute in many ways to the health and wellbeing of our local economy and the communities within it."
>
> **Neil Mackay, Chair, Electra Group**

BUSINESS EXCELLENCE

At Electra we are proud to be the principal sponsor of the Kapiti Horowhenua Business Awards, a role we've held since the Award's inception in 1993.

Today, the Electra Kapiti Horowhenua Business Awards are New Zealand's longest running business awards programme. Acknowledging excellent businesses in Kapiti and Horowhenua that are helping to drive economic and job growth in the region continues to be an honour for Electra.

2018 Business of the Year

Kenakena School

Kenakena School on the Kapiti Coast was named the Electra Business of the Year at a sold-out gala dinner in Levin on Friday, 12 October 2018. The school also claimed the Large Business Excellence Award and the Employer of Choice and New Thinking Achievement Awards.

Located at Paraparaumu Beach, Kenakena School is a 500 student co-educational school taking students from 5 to 13 years of age through the full eight years of their primary schooling, delivering programmes rich in learning experiences where the development of thinking skills is a feature.

In announcing the supreme award winner, the judges highlighted Kenakena School's governance, management and staffing structures, its vibrant and inclusive culture, and engaging and empowering leadership. "We were hugely impressed with Kenakena School's culture, business management, performance and profile within the community it serves. This is a standout business on every measure and we applaud the impact they are having on the individual lives of staff and students and the wider lives of the school's community."

Woodhaven Gardens received the Highly Commended Award as well as the "Give Where You Live" Achievement Award, with the judges impressed with the company's strategic focus and culture.

Overall, eight different businesses shared the fifteen Excellence, Achievement and Customer Choice Awards on the evening.

EXCELLENCE AWARD WINNERS

Owner-Operator: Sudbury
Small Business: Greenhaven Homes Ltd
Medium Business: Peter Jackson Plumbing Ltd
Large Business: Kenakena School

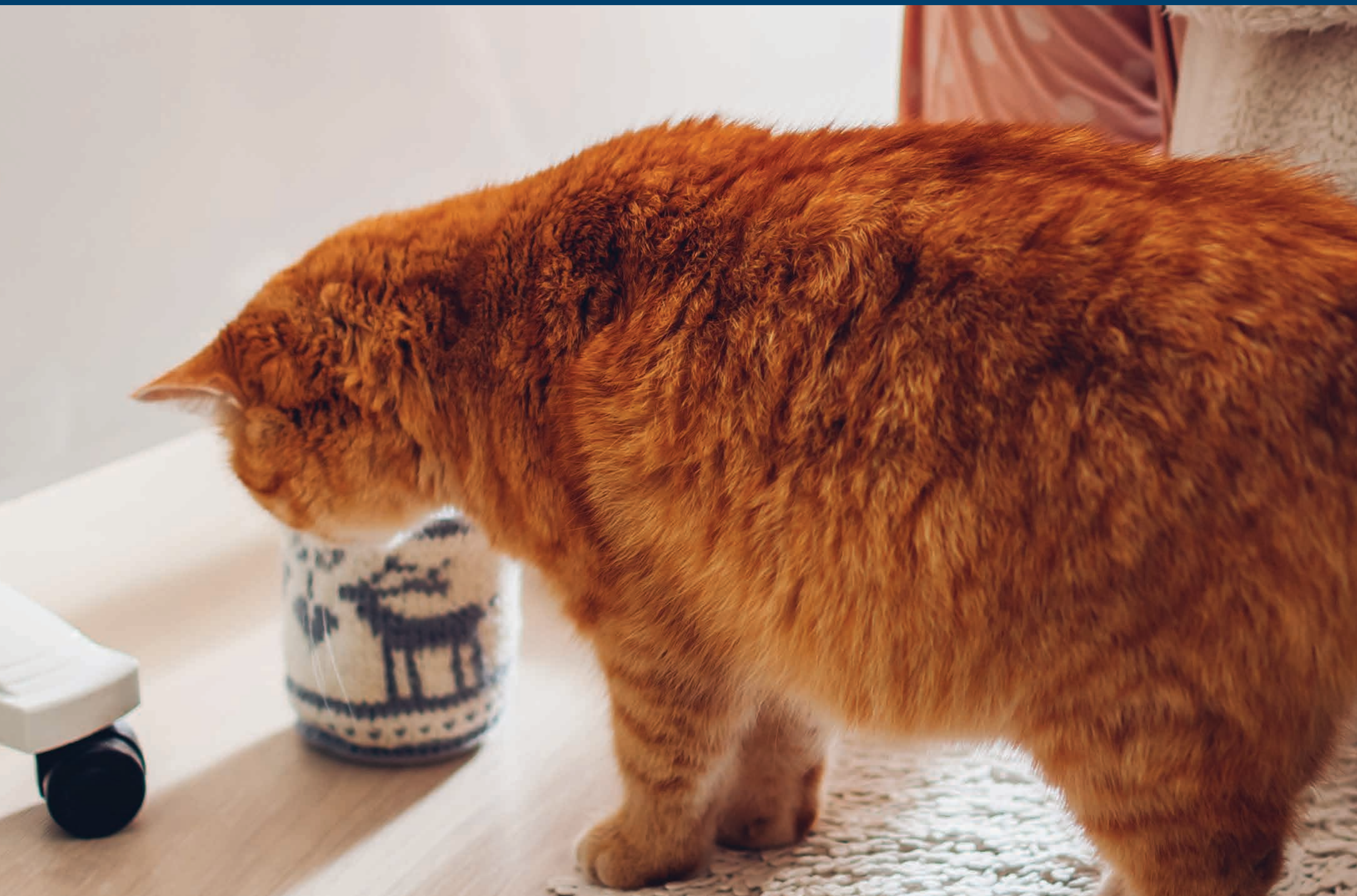
ACHIEVEMENT AWARD WINNERS

Health and Safety: Alliance Group Levin Plant
New Thinking: Kenakena School
Emerging Business: Greenhaven Homes Ltd
Employer of Choice: Kenakena School
"It's Great to be Here": Alliance Group Levin Plant
"Give Where You Live": Woodhaven Gardens Ltd

CUSTOMER CHOICE AWARD WINNERS

Retail: Westbury Pharmacy
Service: Elise Niu – Functional HIIT NZ
Age Friendly: Westbury Pharmacy

DELIVERING



Our Network

Key Facts

TOTAL CONSUMERS **44,987**	TOTAL ELECTRICITY DELIVERED **416 GWh**
NEW CONNECTIONS **503**	AVERAGE SALES PER CUSTOMER **9,249 kWh**
NETWORK AREA **1,628 KM²**	MAXIMUM DEMAND **102 MW**
TRANSMISSION & DISTRIBUTION **2,289 KM**	CAPACITY UTILISATION **30.5%**
TRANSFORMER CAPACITY **335,505 kVA**	LOSS RATIO **6.9%**
AVERAGE OPERATING COST **$5,305/KM**	LOAD FACTOR **50%**


Foxton Beach
Foxton
Tokomaru
Shannon
Waitarere
Mangahao
Hokio
Levin
Waikawa Beach
Manakau
Otaki Beach
Otaki
Te Horo Beach
Te Horo
Pekapeka
Kapiti Island
Waikanae Beach
Waikanae
Paraparaumu Beach
Otaihanga
Reikorangi
Paraparaumu
Raumati
Paekakariki
Electra office and/or depot

We have found Electra to be excellent – both in terms of advice given and practical help offered.

Last year we had problems with our power factor correction system. These units help to ensure that power is used in a more efficient manner which, for a company like us spending in excess of $10,000 per month running big machines, can make a huge difference. Inefficiencies can also have detrimental effects on the network.

Electra helped us with practical advice and usage-testing until the repaired unit was tuned and working correctly. They could have simply told us to get it sorted (we've heard stories of networks just issuing fines) but I felt that they genuinely wanted to engage with us. This was especially useful since Levin isn't exactly awash with expertise in this highly complex subject; we would otherwise probably have had to import help from Wellington or Auckland.

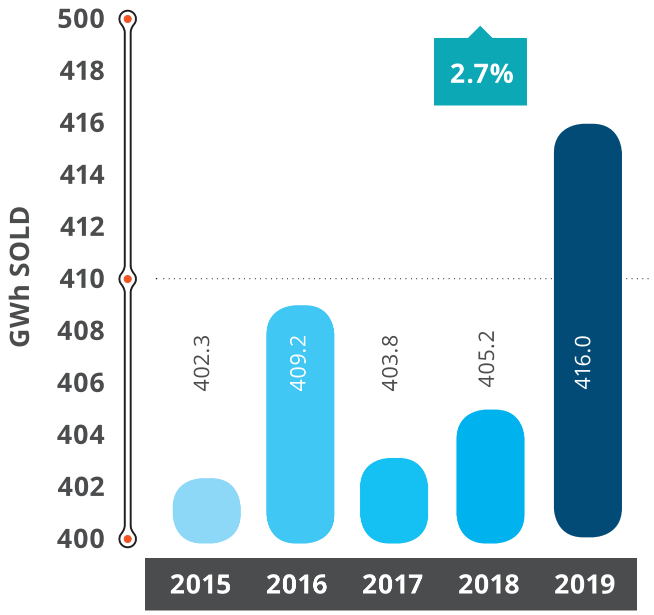
More recently, we have been wanting to better understand our power usage across different machines and, again, we have found Electra willing to help and advise. This will result, hopefully, in a better use of resources.

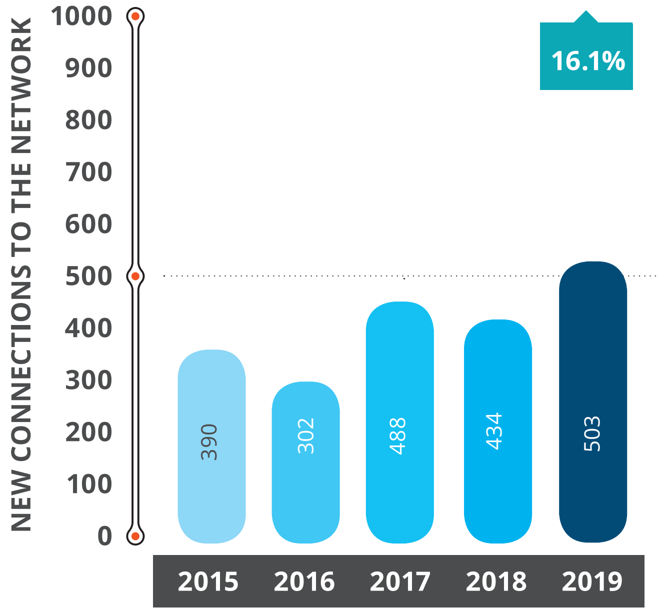
Fred Mecoy
Second Life Plastics Ltd

Delivering a Modern, Responsive and Reliable Network

The last twelve months have seen continued growth in our region supported by significant national infrastructure projects and as a result of further development on our network. The completion of phase one of the Kapiti Expressway roading project is attracting businesses and families to the southern part of our network, and further stimulus is expected throughout the region once the Transmission Gully Motorway and phase two of the Kapiti Expressway (Pekapeka to Otaki) projects are completed in 2020.

From a network perspective, continued optimism and interest in our region has been reflected in continued growth in both the number of consumers connected to the network and total electricity demand.





As a key regional infrastructure provider, we continue to invest in creating a truly modern electricity network capable of supporting this growth now and into the future.

This has included targeted reliability improvements on the northern 33kV network, implementing a risk-based vegetation management plan, further integration of remote controlled devices and sensors in the network and a network-wide protection review and standardisation programme.

Having secured Transpower's redundant section of 110kV lines between Mangahao and Levin in 2017, a large part of the year was spent connecting this important asset in to our network, converting the line from 110kV to 33kV operation as part of the project. This is an ideal way of improving reliability and capacity on the network in the northern part of the region and to allow maintenance on other assets to be conducted more easily and with less reliability risk.

However with only 1.2 km of overhead line left to complete, the Horowhenua District Council has asked for the work to be temporarily halted while they negotiate with NZTA regarding the planned expressway crossing of Tararua Road. While we are able to accommodate this request by restricting project and maintenance work on the northern 33 kV sub transmission system, it does place additional risk on the network over this period.

Over October and November, half of the 11kV switchboard at Raumati substation was replaced, removing the old SF6 gas Yorkshire switchgear units and installing a new switchboard.

Throughout the year we have continued to invest in smart network technologies with our Internet of Things (IoT) Project creating a low bandwidth, low cost communications platform across Kapiti and Horowhenua that has a multitude of uses for monitoring and responding to changes in the network.

We have installed several LoRaWAN IoT Gateways on the network and the first IoT device to be connected is the FPI (Fault Passage Indicator) Sensor, with four prototype FPI Sensor nodes installed into selected switchgear. This device sends a signal whenever a fault is detected or reset (fault cleared). The four initial IoT FPI Sensors are commissioned and another 50 units are in the process of being rolled out.

Another project to utilise the LoRaWAN IoT communications platform will see Power Quality meters installed to collect statistical information about the network that can be remotely reported back to the network operations team.

Alongside our programme of network improvements, we have also continued to work closely with NZTA and its contractors to ensure the network can accommodate the route of the Wellington Northern Corridor project, moving and replacing lines when required. In the last year we have undertaken two significant Expressway projects.

At Winstone Aggregates' quarry in Waikanae we installed three 11kV roadside switches (Ring Main Units), ran 800 metres of 11kV cable and removed 1.3 km of overhead lines within the quarry. To limit the impact on operations at the quarry, much of the work was completed after hours to make connections and change over the supplies to both the quarry and the Stresscrete plant, which is also supplied from this site.

At Taylors Road in Otaki, 20 new poles were installed adjacent to the existing line near the intersection with SH1. A track-mounted crane was used to install the poles and assist with the conductors stringing, which contributed greatly to the success of this project.

Beyond the network itself, we continue to focus on connecting more closely with customers and improving customer experience. This involves broader and more frequent interactions such as real-time communication of network status and reliability, more flexible pricing options, consultation on price and reliability possibilities, technical advice, and assistance with lines owned by customers.

The on-going development and adoption of the Milsoft advanced distribution management system (ADMS) remains a key aspect of this initiative, as does the implementation of a customer relationship management system (CRM) to better track the resolution of customer enquiries and share this information with colleagues to help the business to continue to improve and grow.

Unleashing "The Beast"

On Thursday, 17 January a giant catamaran labelled 'The Beast' was moved from the boat builder, Profab Engineering in Palmerston North, to Foxton Beach where it was to be launched.

At 40m long and 12m wide the boat had to be transported in two halves. The height of the two loads meant 80 overhead lines spanning the road along the route had to be dropped and then restrung and retested.

Due to the number of disconnects and reconnects to be completed within a short timeframe, all 65 of Electra's field resources (including subcontractors) were deployed, starting at 3.30am.

The crews slowly moved along the route, working in front and behind the high loads often along streets lined with spectators.

By 3pm all lines were restrung and only four residents were not livened as crews were unable to access their properties to test the switchboard (by 7pm all customers were reconnected).

"At Turk's Poultry Farm our factory processes more than 25,000 chickens a day, while our free range sheds produce more than 30,000 chickens a week.

Maintaining this level of production and ensuring our chicks are provided with the right levels of light and warmth for healthy growth requires, among other things, a reliable and consistent electricity supply. As one of the region's largest businesses and employers we have formed an excellent working relationship with Electra, with ongoing consultation and open communication giving us confidence that our business can continue to operate without interruption."

Ron Turk
Managing Director

Security of Supply Remains a Priority

The need for a modern, flexible, and responsive electricity network capable of withstanding significant storms and other natural disasters, as well as accidents and other incidents is a challenge that we have accepted and are in the process of delivering.

This involves our ongoing programme of replacing lines that meet 'end of life' criteria and simultaneously taking the opportunity to create alternative supply routes that provide greater flexibility in transferring load during network outage situations. We are also implementing information systems and smart network technologies that allow us to make use of automated switching to isolate faults and get the power back on quickly.

The network is in a relatively strong position with a programme of seismic strengthening work having been underway for many years, although further work is planned to strengthen a number of substations over the coming year. Meanwhile, the Pekapeka to Otaki Expressway will install a second bridge across the Otaki river and create greater network resilience.

The other challenge we face, and are preparing for, is from the increasing number of extreme weather events triggered by climate change. Larger, unforeseen "one off" events are becoming more common. Wetter winters and longer, dryer summers will impact the network in different ways and present new risks that will impact decision making such as network location and equipment selection.

We are already beginning to see this impact with a second consecutive wet winter continuing to trigger slip events and increased risk to the network in the hills east of Paraparaumu, leading to the relocation of a section of cable away from a compromised location near the old SH1 south of Coastlands.

Our vegetation management programme has evolved over recent years, enabled by insights developed from historical inspection data and Electra's geospatial network model. During 2018 we overlaid an additional analytical tool, over and above the requirements of the Electricity (Hazards from Trees) Regulations, to develop a strategic vegetation management programme using data from historical tree work to identify areas of greatest prospective SAIDI risk.

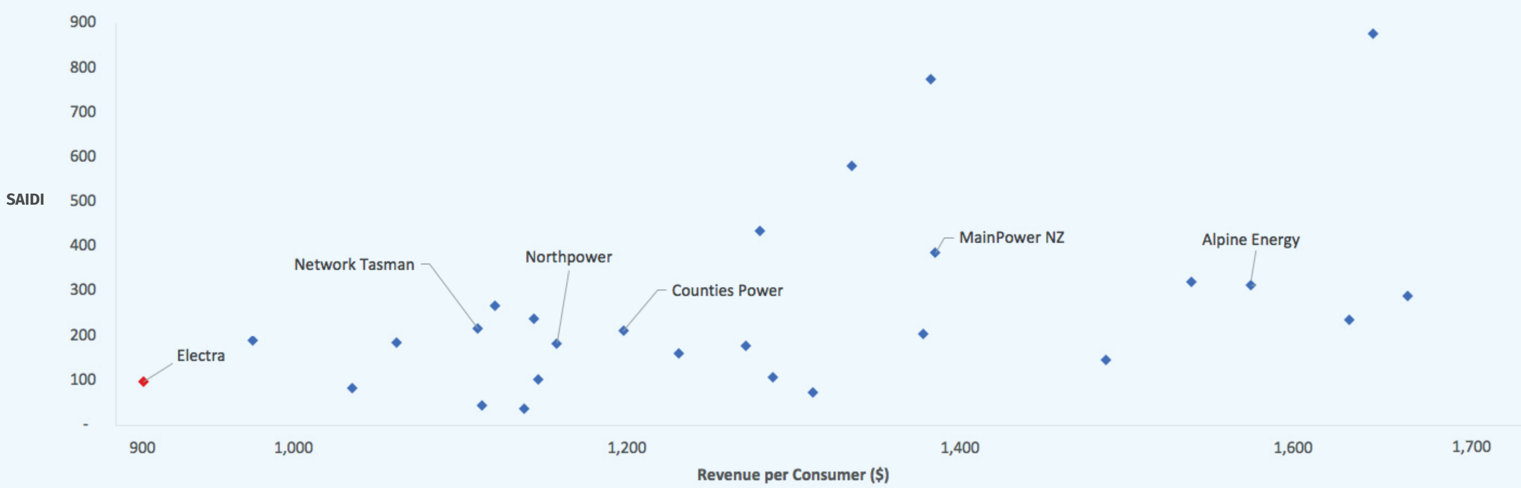
The aim of this work was to identify and implement approaches that improve cost, risk and performance, and implement asset criticality to drive all network investment decisions. An initial plan of work was developed for those areas over the next three years.

Over the year we have investigated methods and specific technologies for migrating our tree trimming from a responsive based approach to a risk-based approach to systematically reduce tree related SAIFI and SAIDI in future years. Initial goals are to focus on vegetation on feeder sections closest to zone substations and out to the first automated switch. Feeder sections have been prioritised by the greatest improvement in vegetation based risk.

Even with the best of plans, sometimes circumstances beyond our control can impact the performance of our network. This was the case on 13 August 2018 when, just before 8am, Electra's supply to Horowhenua north of Tatum Park experienced a power outage affecting 17,467 consumers.

The outage involved all supply being lost from our transmission connection at Mangahao and, while the supply was quickly and progressively restored over the next 25 minutes, it highlights the critical importance of the new 33 kV circuit between Mangahao and Levin. The good news is, despite this event, Electra expects to be in the top third performers for network availability for 2019.

BEST IN CLASS
PRICE VS QUALITY AVERAGED FROM 2013 TO 2018



Measurement of price and service level across Electricity Network businesses.

Low outage minutes and low costs detail best in class. Electra's cohorts are named; being similar Electricity Network businesses.

In the year ahead further upgrades are planned to the network to improve reliability.

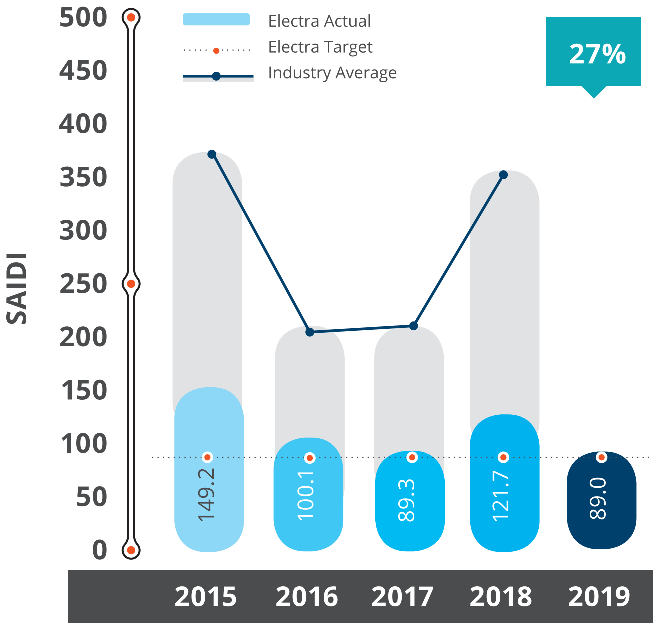
With Waikanae Beach and Tokomaru expected to experience population growth in the years ahead, the network is being upgraded to accommodate additional customers in these areas, with new feeders to be established from the Waikanae and Shannon substations to improve reliability and voltages. At the same time the ex-Transpower 110kV line will be repurposed to improve security to Levin East and Otaki substations under contingency scenarios.

Across the network copper conductors will continue to be replaced and network meshing with automated/remotely operated switches will be installed to improve network reliability.

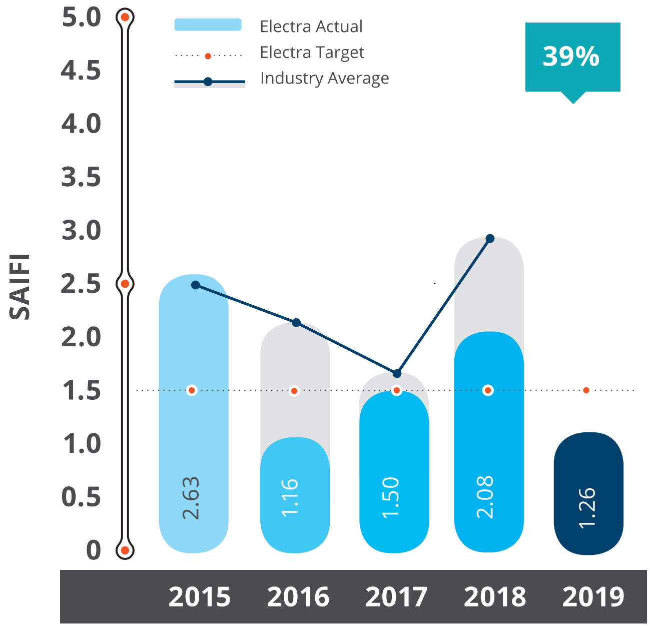
Detailed seismic assessments of zone substation buildings has found that at least three buildings require seismic strengthening to obtain L4 classification as per the building code. This work is planned for the coming year.

In addition, work will continue to upgrade sub transmission protection to improve operational and safety risk and provide protection systems fit for network meshing, as distinct from more expensive network build.

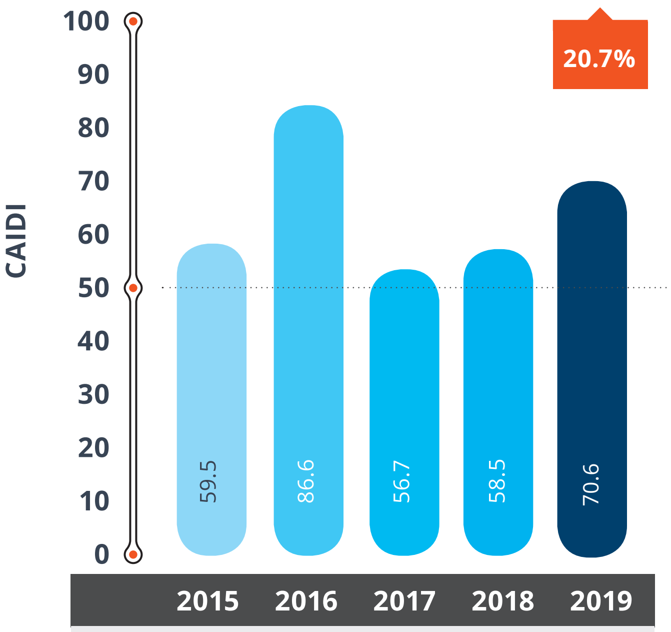
Our Network Reliability Indicators



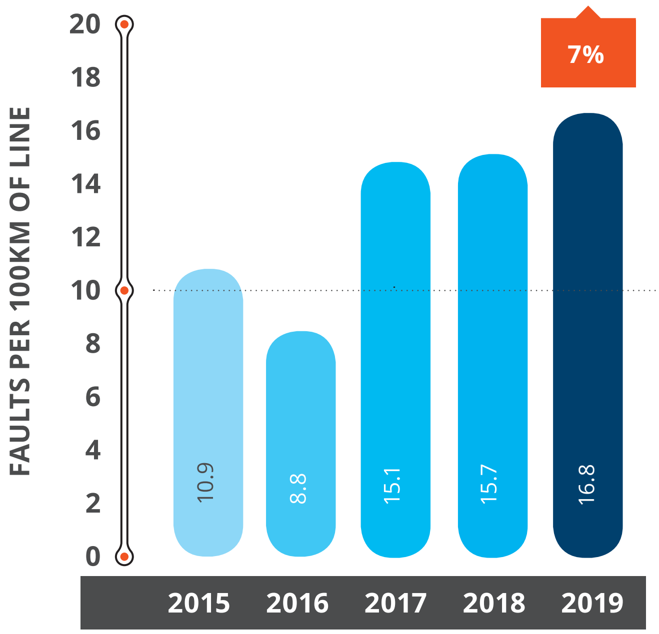
System Average Interruption Duration Index ('SAIDI'). The average outage duration (in minutes) per consumer per year. The lower the number, the better the reliability performance (industry averages and Electra targets are shown for comparison).



System Average Interruption Frequency Index ('SAIFI'). The average number of interruptions that a consumer would experience over the course of a year. The lower the number, the better the reliability performance (industry averages and Electra targets are shown for comparison).



Consumer Average Interruption Duration Index ('CAIDI'). CAIDI = SAIDI / SAIFI.



Preparing for Future Demand

Our asset management strategies, tactical programmes and work plans have always been aligned to the Group's wider strategic direction.

Electricity networks are facing numerous challenges and undergoing significant change. The way that people interact with energy is changing – from the appliances and devices they use to the way they source and manage their energy. As a network operator, we seek to remain at the forefront of this evolution, identifying the technological changes that are driving this change and how we can adapt to the way consumers are interacting with energy.

The steady growth in photovoltaic (PV) generation, and the uptake of electric vehicles (EVs) across the country provide networks with two of their greatest challenges, and opportunities.

Around 1% of consumers connected to our network today generate some of their electricity from PV. This will continue to grow as technology becomes cheaper and performance and storage continues to improve.

Electric vehicles also offer opportunities for network operators – both in terms of increased load and, more importantly, a significant portion of this load being off-peak (EVs are often charged overnight so they have full range in time for the commute the following day).

As an organisation we are embracing this challenge with two pure EVs and a hybrid vehicle already in our fleet. We are also a participant in the Wellington Region EV Working Group, comprising all the local Councils, EECA, Wellington Electricity, Electra and owners of EV fleets. The purpose of the Group is to build awareness and facilitate adoption of EVs, and coordinate the development of charging infrastructure throughout the Greater Wellington Region.

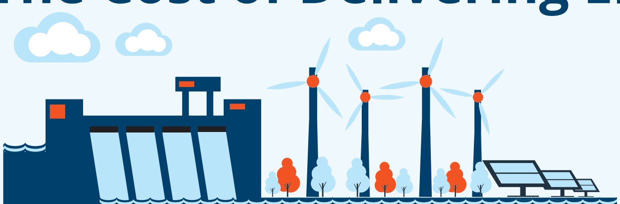
This year, in collaboration with ChargeNet, the Kapiti Coast and Horowhenua District Councils, and with support from EECA, Electra has begun installing eight additional EV fast charging stations across our region. This not only assists the adoption of clean fuelled vehicles, it allows us to gain practical experience in the monitoring and management of this increasingly popular technology.

50 kW fast chargers have now been installed in Paraparaumu (Coastlands) and Raumati Beach, with a further six chargers to be installed in Paekakariki, Waikanae, Foxton and Shannon. The joint funding from Electra, Kapiti and Horowhenua District Councils, ChargeNet and EECA will enable EVs to travel around and through our region using electricity as clean transport fuel.

Mayor K Gurunathan (Kāpiti Coast District Council), Steve West (ChargeNet), Karl Marryatt (PAK'nSAVE Kāpiti), Max Feickert (Electra)

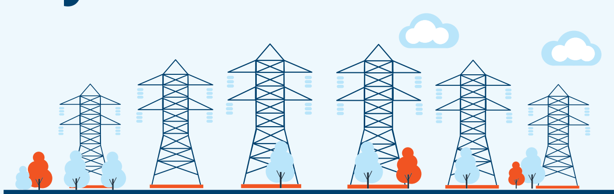
The collective expertise we are developing across the Electra Group means our business is well placed to continue delivering world class service and response to consumers on our network.

The Cost of Delivering Electricity to You



Generation

32% Around a third of your electricity account is generation cost (hydro-electric, geothermal, wind, solar, gas, coal and diesel).



Transmission

10.5% Transpower operates the national transmission grid that delivers high voltage electricity from generators to local distribution networks.

The Future Direction of Pricing

As previously signalled, average energy consumption worldwide has been declining as buildings and appliances become more energy efficient. At the same time, peak demand (i.e. more appliances being used at the same time) continues to grow on networks across New Zealand (and internationally), including the Electra network.

Emerging technologies present both challenges and opportunities to our business. Our current business model is based on a mix of fixed and variable revenue streams that recover costs that are almost totally fixed.

The location, magnitude and timing of electricity demand and disruption from emerging technologies such as LED streetlighting, electric vehicles, solar panels and batteries could significantly alter the resulting mix of revenues and costs. We continue to monitor these developments closely and work on strategies to pre-empt the change, including the development of cost-reflective tariffs (which the Electricity Authority continues to promote the provision of).

There is a strong linkage between peak demand and overall network capacity requirements. Our pricing methodology aims to reflect this relationship with higher pricing charged for consumption during periods of high demand. The higher Time of Use prices during peak periods reflect the costs of building infrastructure to meet peak demand.

The Electricity Authority reports that distribution costs (i.e. the cost of delivering electricity over the local electricity network) account for around 27% of a consumer's electricity bill, with transmission costs (i.e. the cost of getting electricity from the power station to the local electricity network) account for another 10.5% of the total cost.

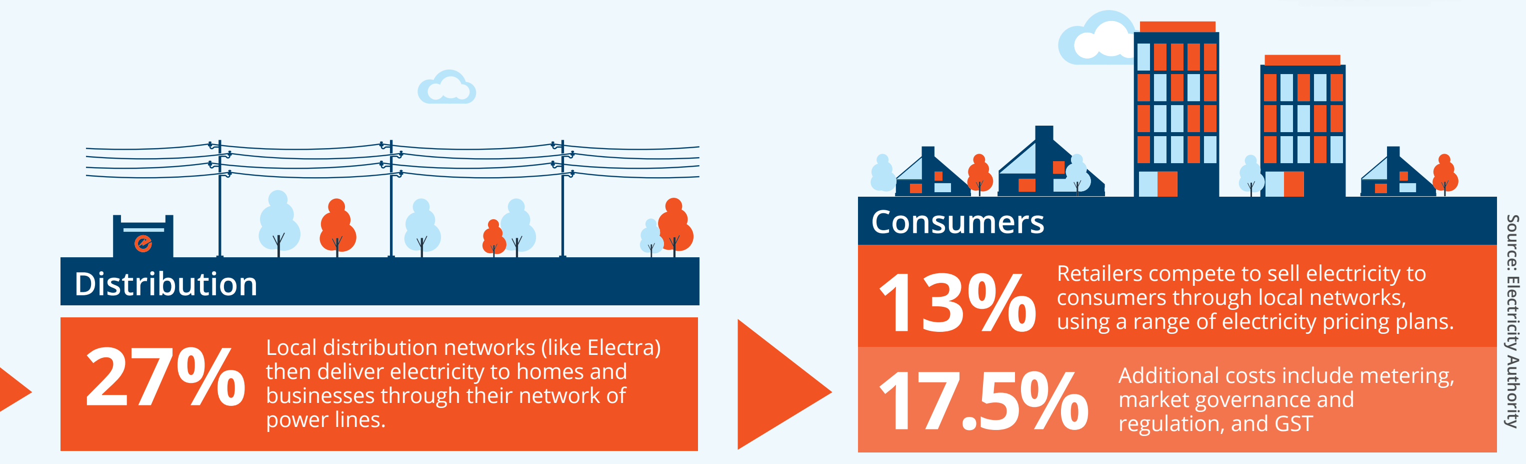
On 1 April 2019 we announced that the distribution costs we pass through to retailers operating on our network would fall by an average of 1.2% for the coming year (compared to a forecast CPI increase of 2%). The reduced charges apply to the tariffs used to determine prices for both residential and commercial customers and are the result of a number of factors including: a) a reduction in the transmission costs we are charged by Transpower to deliver electricity to our network; b) the introduction of better load management systems which also helps to lower the charges from Transpower; and c) keeping our network operating costs at the same level as last year.

At the same time we announced new pricing options designed for medium use households, using more than 8,000 kWh per year, including lower energy charges in new 'time of use' and flat rate 'uncontrolled' price options, each with a slightly higher fixed daily charge. These pricing options support the Electricity Authority's desire for the industry to provide pricing that better reflects the mix of costs in electricity distribution.
We will continue to progressively introduce service-oriented and cost-reflective price changes to fairly recover the full cost of the network from all consumers on the network – the underlying goal being to continue to improve the network and deliver an efficient and reliable electricity supply to the region.

Keeping everyone safe

Safety is a core value at Electra, it informs a lot of our decision making and places the onus on our teams to ensure we all get to go home every night.

We are committed to ensuring the safety of our customers, staff and contractors and the public at large. Key asset management and system implications of this commitment to safety include continuing replacement of components such as pitch-filled metallic cable terminations, metal link pillar boxes, deck-mounted transformers and oil-filled switches, and the implementation of Vault as a Health and Safety incident recording and analysis platform.



GROWING

Delivering Growth Beyond the Network

At Electra we are focused on delivering a safe and reliable electricity supply to everyone connected to our network, and to ensure it has the flexibility and capacity to meet both current and future demand and needs.

We are also working to identify opportunities that position the Group for future growth, increase our revenue streams and, ultimately, the level of value we can provide to both the communities in which we operate and the owners of our business – the customers connected to our electricity network.

Part of this strategy has been to invest in companies that complement the Group's core (electricity network) business and provide opportunities to add value and expanded services that enhance the benefit we can deliver to the Group.

In 2017 the Board and senior leadership team reviewed the Group's strategic direction and created an ambitious 10 year strategy (2017-27) to generate substantial growth for the Group.

The focused execution of this growth strategy over the last 18 months has resulted in several key acquisitions and strategic partnerships as well as continued investment in technology solutions that provide both operational efficiencies and growth opportunities.

ELECTRA GENERATION LIMITED

Electra Generation Limited was established in December 2015 with the purchase of the Papakura Power Station, giving the Group 4.7MW in connected generation from its gas and diesel sets.

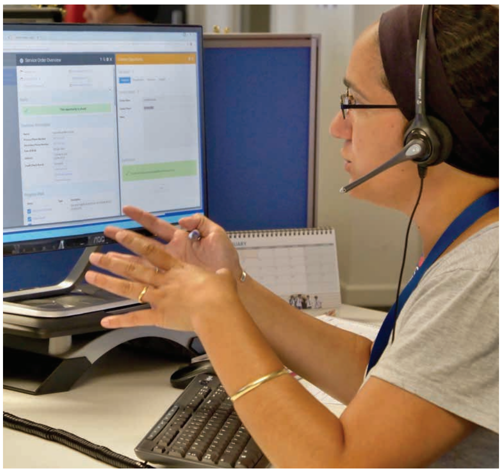
The decision to invest in generation was driven by three opportunities:

1. to sustain profitability by providing necessary physical hedging against large swings in electricity wholesale pricing (this was important given we were growing our energy retail business at the time),
2. to operate as a 'peaking station' in order to take advantage of high price peaks in the Auckland market, and
3. to participate in the ACOT (avoided cost of transmission) market.

Having reported a small profit in 2018, the electricity spot market over the last twelve months has experienced periods of sustained high prices and significant volatility, creating perfect conditions for peak generation.

This has allowed Electra Generation to produce a much larger positive result for the Group in 2019, and we expect further positive results with market volatility predicted to continue for some time yet.

The lack of planned new investment in large scale electricity generation, coupled with a desire to end coal, oil and gas-fired generation, presents possible opportunities for smaller, more localised generation plants. We are continuing to evaluate this area of the market and investigate further opportunities in this area.



Electra Services Limited

Electra Services Limited was established in 2017, bringing together a modern contact centre capability with security monitoring, automation services and independent living support services. It is one of the few 24/7 call centre operations in the electricity industry and, more importantly, is a profit centre for the Group.

The security operation has experienced significant growth over the last two years, largely due to mergers and acquisitions that created the necessary scale to drive future growth. The company continued its acquisition strategy in 2018 with the purchase of the medical alarm business formerly owned by Bupa – an acquisition that essentially doubled the size of the security business while at the same time creating a nationwide footprint.

“The Securely For Living security system has been great for us. We have a young business that is growing very fast;

we are also in a business that has a security risk - the last thing we need to worry about is setting alarms and dealing with false call outs.

With the Securely for Living platform we easily installed our alarm ourselves without the need for hard-wiring and manage it all from a mobile. That means we can get on with what we do best (crafting fine spirits and liqueurs) and, if anything goes wrong, manage it remotely. And having the Securely team as a backup means that, if we really do need help, they are there looking over our shoulders and ready to immediately send a security guard or the fire service.

Bec Kay
Owner

Koakoa Limoncello
and The Bond Store

AGED CARE A KEY MARKET

Adding a medical alarm solution to the business creates a new (but related) area of business opportunity. New Zealand's aging population and the under-supply of aged care facilities throughout the country provides significant future growth opportunities for Electra Services. This is especially the case in our own region with proportionately more over 65's and fewer of them in aged care facilities.

It's also why aged care and the provision of services that allow the elderly to continue to live safely in their homes for longer has considerable appeal (and benefits) for individuals, families and social agencies alike.

Our new medical alarm business, combined with the large investment we have made in bringing the global award-winning Essence 'smart' technology platform to New Zealand, means Electra Services is well positioned to become a major player in this market.

Our market leading and highly disruptive technology is challenging the traditional medical and security alarms sector that has remained largely unchanged for more than 20-years – providing customers with far greater capability but at a fraction of the cost.

Our wireless home automation, security and aged care monitoring platform allows proactive response to customers' security, lifestyle and health care needs. As well as detecting the usual changes in heat, sound, and motion and sending alerts to the customer, it also uses algorithms and Artificial Intelligence to track and monitor daily movements and predict possible health issues based on the findings.

This not only has positive outcomes for elderly (and disabled) individuals and their families, enabling a person to continue to live independently in their own home for longer, it also has the potential to deliver meaningful cost benefits for New Zealand's health and social agencies.

Opportunities exist to deliver a broad range of security and independence solutions to meet the needs of existing and new customers both individually, as specific clusters (e.g. retirement facilities), or through strategic partnerships (e.g. local government, government ministries, etc).

The platform also allows us to deliver additional products and services to meet other security and safety needs, such as an extendible smart home and security system based around wireless and smart phone apps, and a safety solution that monitors the health and wellbeing of lone workers and active elders.

STRATEGIC PARTNERSHIPS TO DRIVE GROWTH

Alongside the company's acquisition strategy, Electra Services has continued to seek opportunities to achieve organic new business growth throughout the year. In November 2018 a sales agency was established with Red Wolf High Level Monitoring, an accredited provider to Ministry of Social Development ('MSD'), enabling customers to access funding through the MSD's disability allowance to install Securely for Independence solutions in their homes.

With this partnership delivering around 300 installations in homes so far this year, combined with over 150 Independence devices into Heritage Lifecare retirement villages in Te Puke, Rotorua, Stratford, Wanganui, Christchurch and Invercargill, the business is beginning to gain significant traction in the market.

Over the coming year the business aims to identify additional channels (both private and public), and further refine its products, services and pricing models to meet their specific needs.

The business will also continue to drive operational efficiencies by rationalising systems and processes, and building the necessary infrastructure to support a customer-driven business (including the delivery of Electra's first customer relationship management ('CRM') system).

"Our mother was living alone and had been diagnosed with dementia. She was keen to remain in her own home for as long as she could and by using Securely services she was able to do so.

Securely's personalised service provided us with 24 hour monitoring of mums movements in the house. This included any falls, periods of inactivity, door alerts and smoke detection.

We received text messages and alerts regularly and we monitored mums movements in the house on line.

We liked the night time overview; mum often roamed the house during the night and would often go outside in the early hours of the morning to check to see if the paper had arrived. At these times Securely would ring mum to check to see that she was ok.

Securely also contacted emergency services when they needed to – for instance, they called the fire department when mum fell asleep and left a pot on the stove.

We felt safe using Securely. It gave us, as a family, an extra eye on our mother. The other family support was essential but with Securely monitoring, mum was able to stay alone at home with her independence and dignity for a long time."

Mandy and Barbara

Connect 8

Technology continues to play an increasingly important role in everyday life, placing pressure on New Zealand's infrastructure to evolve and adapt to the growing needs of consumers. For instance, smart technologies are becoming increasingly critical to Electra's core electricity network in enabling the business to lower costs, improve reliability and deliver more customer-centric products, services and communications.

Across New Zealand the growing importance of mobile and Cloud-based applications is placing continuous pressure on the country's mobile and fibre networks to ensure there is sufficient telecommunications capacity to meet increasing data needs.

It is for these reasons that Electra has a long and positive association with Spark, both as a customer and (through our subsidiary, Sky Communications Limited) as an important supplier to the Spark network.

And the complementary capabilities between the two organisations meant there were clear opportunities to forge a new partnership of strategic importance.

JOINT VENTURE CREATES A BROADER CAPABILITY

This is why we made the decision in 2018 to invest in a joint venture opportunity with Spark, selling Sky Communications Limited to Spark's wholly owned subsidiary, Connect 8, and buying a 50% stake in the much larger Connect 8 business.

Established in 1997 and purchased by the Electra Group in 2009, Sky Communications Limited was a leading telecommunications contracting services company, providing innovative and cost-effective mobile and wireless solutions for all of New Zealand's major mobile owners.

At the same time Connect 8, a wholly owned Spark subsidiary, had established itself as the leading experts of buried infrastructure (including fibre) contracting services.

There were obvious synergies to be achieved in bringing together these two complementary businesses to create a broader capability and improve operational efficiencies and speed to market. As well as maintaining Connect 8's existing position as the premier construction contractor for the 'buried infrastructure industry', the acquisition provides the company with a solid foundation for the roll out of future fibre, mobile, telecommunication and other infrastructure technologies across New Zealand.

The joint venture investment with Spark has immediately delivered significant returns to both shareholders with significant future upside potential as the business expands into new infrastructure sectors such as water.

In its first year the business has focused on three key areas:

Improving connectivity:
Connect 8 is a leading contractor in the work to open up telecommunication networks and improve connectivity throughout the country. It was the lead contractor in the West Wind Project that built the new fibre network between New Plymouth and Palmerston North, significantly improving connectivity between these two regions. The business is in a strong position to secure additional work from the Rural Connectivity Group.

Supporting 5G development:
Connect 8 was a significant enabler to Spark's new Innovation Hub in Auckland, carrying out the physical network build at the Hub to allow future opportunities to be tested in a 5G environment.

Expanded services:
With a strategy of expanding into new infrastructure sectors, the business has partnered with Vector and large scale developers in the upper North Island to install high voltage underground power cables.

The strategic direction of the business aligns perfectly with Electra's own strategic aspirations, and the growth potential is substantial with Connect 8 targeting annual revenues of $50m.

Future Growth

Despite some signs of a softening New Zealand economy, the Kapiti Horowhenua region continues to report solid growth, particularly in the southern part of the region where completed roading projects are delivering tangible benefits for local communities.

Throughout 2018, business and employment growth remained strong across our region, contributing to a significant lift in living standards for the year, with both Kapiti (4.7%) and Horowhenua (4.2%) outperforming the national average (3.7%).

With phase two of the Expressway project (Pekapeka to Otaki) and the Transmission Gully Motorway due to be completed over the next year, the region will continue to experience a sustained period of growth and development. The improved connectivity between our districts and the greater Wellington region is already encouraging more people and businesses to locate to the Kapiti and Horowhenua region.

Residential development remains a key driver of regional growth - the region's population is predicted to exceed 100,000 by 2043, bringing with it thousands of new homes and jobs, and providing financial stimulus for further investment in economic growth and urban development.

The number of new connections to our network continues to grow year on year, while 2,201 new residential building consents were issued in our region over the last 5 years (2014-2018), with 489 issued in 2018 alone (up 9% on 2017). Planned large scale residential subdivision developments will ensure a steady flow of new housing across our region for the next decade and beyond.

While there is now some uncertainty around the delivery of planned roading projects in the northern part of our region, it is hoped this will not dampen the economic impetus that is building.

As always, we continue to work closely with the councils and businesses throughout our region to support and attract business growth and development.

The economic environment will be shaped by industry, government and technology trends which will disrupt traditional business models and encourage innovation and adaptation. As a business we are committed to embracing smart technologies that enable better decision making, communication and management of assets.

On our network disruptive technologies such as electric vehicles, solar photovoltaics and battery storage are challenging our operating model and the way we interact with, and deliver value to, the communities in which we operate.

As a Group we will continue to implement our growth strategy, seeking acquisition and investment opportunities that complement our core capabilities, particularly in related infrastructure, while continuing to deliver organic growth from our existing businesses; the aim being to maximise the returns we generate for our owners – the customers connected to the Electra network.

At an energy level, the recent period of price stability should continue for the next few years with surplus generation capacity and flat demand growth nationally, coupled with intense retail competition and operational efficiencies placing downward pressures on prices.

CORPORATE GOVERNANCE

Director's Statutory Report

The Directors take pleasure in presenting their Report and financial statements of Electra Limited and Group for the year ended 31 March 2019.

Principal activities

The Group's principal activities during the year were:

- to be a successful electricity line owner and operator maximising value for owners through competitive prices, quality and efficient operations;
- to operate a successful electricity network construction and maintenance contracting business; and
- to invest in business activities and projects that add value to the Group.

Group results and distributions	2019 $000	2018 $000
Continuing operations		
Operating revenue	**50,937**	44,228
Other expenses	**(49,711)**	(40,670)
Share of profit in joint venture	**1,294**	-
Profit before tax	**2,520**	3,558
Income tax (expense)	**(379)**	(764)
Net profit for the year from continuing operations*	**2,141**	2,794
Discontinued operations		
Profit / (loss) for the year from discontinued operations	**2,417**	945
Profit for the year	**4,558**	3,739
Other movements through retained earnings	**10**	-
Dividend	**(300)**	(300)
Retained earnings brought forward	**73,737**	70,298
Retained earnings carried forward	**78,005**	73,737

* Includes goodwill impairment cost of ($nil (2018: ($0.2m))

Directors' interests

Directors have declared interests in transactions with the Company during the year as set out in note 23 of these financial statements. Directors have no direct interest in equity securities issued by the Company. Directors may be beneficiaries of Electra Trust, which holds the shares in the Company for end-customers of the day.

Directors

At the annual meeting held on 27 July 2018 Mr Mike Underhill was appointed as Director to the Electra Limited Board. Mr Neil Mackay was re-appointed for a one-year term, by a special resolution by the Trust. Mr Russell Longuet retired in July 2018.

In accordance with the Constitution of the Company, Messrs John Boshier and Alan McCauley retire by rotation at the annual general meeting of the Company. Messrs John Boshier and Alan McCauley being eligible, offer themselves for re-election. Mr Neil Mackay will retire as he has reached the end of his extended term.

Use of Company information

During the year the Board received no notices from Directors of the Company requesting the use of Company information received in their capacity as Directors, which would not otherwise have been available to them.

Auditor

Mike Hoshek of Deloitte Limited was appointed as Auditor on behalf of the Auditor-General in accordance with Section 45 of the Energy Companies Act 1992.

For and on behalf of the Board

Neil Mackay
Chair
6 June 2019

Shelly Mitchell-Jenkins
Director
6 June 2019

PERFORMANCE HIGHLIGHTS

The following performance measures are disclosed in accordance with the Commerce Commission Disclosure Regulations for Electricity Distribution Companies and the company's 2018/19 Statement of Corporate Intent.

Financial	**2019**	2018	2017
Total revenue ($000)	**50,937**	44,228	42,682
Revenue from discontinued operations	**541**	11,481	16,258
Discount issued ($000) excl GST	**7,900**	7,700	7,500
Profit (after tax) ($000) *	**4,558**	3,739	792
Total assets ($000)	**236,357**	216,877	212,799
Total shareholders' funds ($000)	**145,109**	141,085	137,760
Shareholders' funds to total assets	**61%**	65%	65%
Net asset backing per share	**$5.93**	$5.77	$5.63
Network – Parent			
GWh sold (GWh)	**416.0**	405.2	403.8
Loss ratio	**6.90%**	8.16%	6.87%
Load factor	**50%**	48%	48%
Capacity utilization	**31%**	33%	33%
Maximum demand (MW)	**102**	104	104
Circuit kilometers (kms)	**2,289**	2,276	2,248
Transformer capacity (kVA)	**335,505**	332,374	331,074
Supply area (sq kms)	**1,628**	1,628	1,628
Operating costs per kilometre	**$5,305**	$5,398	$4,963
Capital expenditure cost per kilometre	**$5,065**	$5,486	$5,554
Consumer Information - Parent			
Number of consumers	**44,987**	44,593	44,159
Average kWh sales per consumer	**9,249**	9,127	9,144
Operating costs per consumer	**$271**	$277	$253
Capital expenditure cost per consumer	**$259**	$281	$283
Discount issued per consumer (incl. GST) (Average)	**$202**	$199	$195
Network Reliability - Parent			
System Average Interruption Duration Index (SAIDI)	**89.0**	121.7	89.3
System Average Interruption Frequency Index (SAIFI)	**1.26**	2.08	1.50
Consumer Average Interruption Duration Index (CAIDI)	**70.6**	58.5	59.5
Faults per 100km line (number)	**16.8**	15.7	15.1
Personnel - Group: No. of employees			
- Electra Limited	**111**	103	97
- Electra DNZ Limited	-	-	23
- Electra Generation Limited	**1**	-	-
- Electra Services Limited	**67**	31	21
- Sky Communications Limited	**-**	31	29

* Includes goodwill impairment cost of 2019: $nil (2018: ($0.2m) and 2017: ($3.0m))

FINANCIAL STATEMENTS


34,322
327,270
400,000
500,000
200,000
350,000
600,000
850,000
927,270
1,245,655

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THE GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

Continuing operations*	Note	**2019 $000**	2018 $000
Revenue			
Revenue	1	**49,757**	42,425
Interest income		**385**	342
Other income		**795**	1,461
Total operating revenue and income		**50,937**	44,228
Expenses			
Interest expense		**(1,509)**	(1,096)
Other expenses	2	**(48,202)**	(39,574)
Total operating expenses		**(49,711)**	(40,670)
Share of profit in joint venture		**1,294**	-
Profit before tax from continuing operations		**2,520**	3,558
Income tax (expense)	4	**(379)**	(764)
Profit for the year from continuing operations		**2,141**	2,794
Discontinued operations			
Gain on disposal of operations	**3**	**2,505**	475
Earnings for the year from discontinued operations	**3**	**(88)**	470
Profit for the year		**4,558**	3,739
Other comprehensive income			
Foreign exchange reserve increment		**-**	30
(Decrement) on disposal of revalued assets		**(330)**	(200)
Income tax benefit relating to components of other comprehensive income	4	**96**	56
Other comprehensive (loss) for the year net of tax		**(234)**	(114)
Total comprehensive profit for the year net of tax		**4,324**	3,625

* Discontinued operations have been separated out

The notes on pages 59 to 79 form part of these financial statements.

THE GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Note	Issued Capital	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Retained Earnings	Attributable to owners	Total
		$000	$000	$000	$000	$000	$000
Balance at 1 April 2017		**18,000**	**49,492**	**(30)**	**70,298**	**137,760**	**137,760**
Profit for the year		-	-	-	3,739	3,739	3,739
Disposal of revalued assets		-	(200)	-	-	(200)	(200)
Tax benefit relating to disposed of revalued assets		-	56	30	-	86	86
Total comprehensive profit / (loss) for the year		**-**	**(144)**	**30**	**3,739**	**3,625**	**3,625**
Dividends paid	12	-	-	-	(300)	(300)	(300)
Balance at 31 March 2018		**18,000**	**49,348**	**-**	**73,737**	**141,085**	**141,085**
Balance at 1 April 2018		**18,000**	**49,348**	**-**	**73,737**	**141,085**	**141,085**
Profit for the year		**-**	**-**	**-**	**4,558**	**4,558**	**4,558**
Disposal of revalued assets		**-**	**(330)**	**-**	**-**	**(330)**	**(330)**
Tax benefit relating to disposal of revalued assets		**-**	**96**	**-**	**-**	**96**	**96**
Total comprehensive profit / (loss) for the year		**-**	**(234)**	**-**	**4,558**	**4,324**	**4,324**
Transfer to retained earnings		-	(10)	-	10	-	-
Dividends paid	12	-	-	-	(300)	(300)	(300)
Balance at 31 March 2019		**18,000**	**49,104**	**-**	**78,005**	**145,109**	**145,109**

The notes on pages 59 to 79 form part of these financial statements.

THE GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	2019	2018
ASSETS		**$000**	$000
Non-current assets			
Property, plant and equipment	5	**204,697**	198,903
Goodwill and intangible assets	6	**9,320**	4,806
Finance receivables	8	**432**	-
Investment in joint venture	19	**11,294**	-
Total non-current assets		**225,743**	203,709
Current assets			
Cash and cash equivalents		**1,405**	1,429
Receivables and prepayments	7	**5,575**	7,708
Finance receivables	8	**1,568**	1,500
Inventories and work in progress	9	**566**	1,031
Investment	18	**1,500**	1,500
Total current assets		**10,614**	13,168
Total assets		**236,357**	216,877
LIABILITIES			
Non-current liabilities			
Debt finance	17	**34,960**	-
Deferred tax liability	4	**32,955**	32,234
Total non-current liabilities		**67,955**	32,234
Current liabilities			
Debt finance	17	**17,810**	38,200
Trade and other payables	10	**5,483**	5,358
Total current liabilities		**23,293**	43,558
Total liabilities		**91,248**	75,792
Net assets		**145,109**	141,085
EQUITY			
Share capital	11	**18,000**	18,000
Reserves		**49,104**	49,348
Retained earnings		**78,005**	73,737
Total equity		**145,109**	141,085

The Board of Electra Limited authorised these financial statements for issue on 6 June 2019.

Neil Mackay
Chair

Shelly Mitchell-Jenkins
Director

The notes on pages 59 to 79 form part of these financial statements.

THE GROUP CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 $000	2018 $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		**50,759**	56,014
Finance receivables		**-**	394
Other interest received		**6**	13
		50,765	56,421
Cash was applied to:			
Payments to suppliers and employees		**(35,882)**	(41,284)
Interest paid		**(1,377)**	(1,191)
Tax paid		**(1,103)**	(1,899)
		(38,362)	(44,374)
Net cash flows from operating activities	16	**12,402**	12,047
Cash flows from investing activities			
Cash was provided from:			
Sale of property, plant and equipment		**154**	42
Proceeds from sale of business	22	**3,192**	1,824
		3,346	1,866
Cash was applied to:			
Purchase of property, plant and equipment and intangible assets		**(15,117)**	(13,398)
Capitalised interest on construction of property, plant and equipment	5	**(70)**	(100)
Purchase of business	21	**(4,855)**	(2,000)
Purchase of investment in joint venture		**(10,000)**	
		(30,043)	(15,498)
Net cash flows to investing activities		**(26,697)**	(13,632)
Cash flows from financing activities			
Cash was provided from:			
Loans raised		**14,570**	2,600
		14,570	2,600
Cash was applied to:			
Payment of dividends	12	**(300)**	(300)
		(300)	(300)
Net cash flows from financing activities		**14,270**	2,300
Net increase / (decrease) in cash and cash equivalents held		**(24)**	715
Add opening cash and cash equivalents brought forward		**1,429**	714
Ending cash and cash equivalents carried forward		**1,405**	1,429

The notes on pages 59 to 79 form part of these financial statements.

Notes to the consolidated financial statements for the year ended 31 March 2019

Statement of Accounting Policies

Reporting Entity

Electra Limited (the 'Company' or 'Parent') is a for-profit entity incorporated in New Zealand. The Company has its head office in Levin. The Company operates primarily in the field of electricity distribution and as a holding company for other investments.

The 'Group' for financial reporting purposes comprises of Electra Limited (Parent) and its fully owned subsidiaries. The ultimate parent of the Group is the Electra Trust.

Basis of Preparation

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 2013 and the Energy Companies Act 1992. The financial statements have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and with International Financial Reporting Standards (IFRS).

Basis of Measurement

The financial statements have been prepared on the basis of historical and deemed cost except for the revaluation of certain non-current assets.

Separate accounting policies are outlined below and in the notes.

Cost is based on the fair value of the consideration given in exchange for assets.

The financial statements have been prepared in New Zealand dollars (NZD), rounded to the nearest thousand, as both the functional and presentation currency.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Critical Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are based on historical experience and other factors, as appropriate to the circumstances, and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within the specific note as shown below:

Area of Estimate or Judgement		
Estimation of electricity distribution revenue	Note 1	Revenue
Revaluation and impairment review	Note 5	Property, plant and equipment
Impairment of goodwill	Note 6	Goodwill and intangible assets
Provision for doubtful debts	Note 7 + 8	Trade & Finance receivables

Estimates are designated by this symbol in the notes to the financial statements: E

Significant Accounting Policies

The significant accounting policies which are pervasive throughout the financial statements are set out below. Other significant accounting policies which are specific to certain transactions or balances are set out within the particular note to which they relate and are designated by the following symbol: Ⓟ

Basis of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the parent entity, and its subsidiaries as defined in NZ IAS 27: 'Consolidated and Separate Financial Statements'.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control the subsidiary.

In preparing consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

Comparatives may have deviated due to changes in classification.

Goods and Services Tax (GST)

Revenues, expenses, cash flows, liabilities and assets are recognised net of the amount of GST, except for receivables and payables which are recognised inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expenses. Cash flows in respect of payments to and receipts from the Inland Revenue Department are shown net in the Consolidated Statement of Cash Flows.

Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into the reporting currency using the exchange rate in effect at the transaction date. Foreign currency monetary items at balance date are translated at the exchange rate ruling at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates ruling at the date when the fair value is determined.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties have joint control of the arrangement and have rights to the net assets of the joint arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the joint venture.

Changes in Accounting Policy

On 1 April 2018 the following standards were adopted:

(i) NZ IFRS 15: Revenue from contracts with customers
(ii) NZ IFRS 9: Financial Instruments

Adoption of NZ IFRS 15: Revenue from contracts with customers

The Group has applied NZ IFRS 15 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The details of accounting policies under IAS 18 and IAS 11 are disclosed separately if they are different from those under NZ IFRS 15. There has been no material impact on financial line items through this transition.

NZ IFRS 15 provides the principles an entity shall apply to report useful information to users of financial statements, about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Apart from providing more extensive disclosures the adoption of this standard has had no impact on the timing of recognition of all major revenue items and therefore on reported revenue in the current or prior year. Further information in relation to the adoption of NZ IFRS 15: Revenue from contracts with customers is included in note 1.

Adoption of NZ IFRS 9: Financial instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. There is no restatement of prior periods as there is no significant change in the recognition and measurement of financial assets or financial liabilities.

Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period.

The key changes to the Group's accounting polices resulting from its adoption of IFRS 9 as stated below:

(a) Classification and measurement of financial assets
NZ IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under NZ IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Compared to NZ IAS 39, the standard imposes stricter requirements for determining those financial assets that can be recognised at amortised cost or fair value. Under NZ IFRS 9, the Group's financial assets consist of: cash, trade receivables and finance receivables, measured at amortised cost; and an equity investment measured at FVTPL.

(b) Classification and measurement of financial liabilities
Under IFRS 9, the Group's financial liabilities consist of trade and other payables and Debt finance, which is measured at amortised cost. The adoption of IFRS 9 has not had a significant effect on classification or the Group's accounting policies for financial assets and liabilities.

(c) Impairment of financial assets
IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised

Given the nature of the Group's financial assets, the expected credit loss model did not materially change the impairment allowance for doubtful debts.

Impairment of Assets

The Group reviews the carrying value of its tangible assets at balance date to determine whether there is any indication that the assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

The Group considers that the electricity network represents a single cash generating unit for the purposes of impairment assessment, and the individual subsidiaries are cash generating units as they each derive their own cash flows.

Goodwill and other intangible assets are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

The recoverable amount is the higher of fair value (less the costs to sell) and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, then the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Consolidated Statement of Comprehensive Income immediately unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

New and Revised Standards and Interpretations

NZ IFRS 16 Leases will fundamentally change the way leases are accounted for by lessees. Currently, leases are accounted for as either on-balance-sheet finance leases or off-balance-sheet operating leases (by lessees). Under the new accounting standard, this will be replaced by a single, on-balance sheet model for all leases, which is similar to the current finance lease approach. NZ IFRS 16 is not required to be adopted by entities preparing financial statements for periods ending 31 March 2019.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Leases NZ IFRS 16	1 January 2019	31 March 2020

Management has yet to assess the full impact of the Leases standard.

Electra will continue to design and implement procedures to apply the new requirements of this standard.

1 REVENUE

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Revenue comprises the fair value for the sale of goods and services, excluding GST.
Specific accounting policies are as follows:

Distribution and recoverable costs revenue
Recognised at the fair value of services provided, these revenue streams relate to the provision of distribution services for electricity. Prices are regulated, and customers are charged through a mix of fixed charges which are recognised on a straight-line basis, and variable charges which are recognised based on the volume of distribution services provided. Consistent with NZ IFRS 15, this revenue is recognised over time based on an output method as the service is delivered to match the pattern of consumption. Recoverable costs relate to transmission charges paid to Transpower and embedded generators providing transmission services to the Group.

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The Company invoices its customers (predominantly electricity retailers) monthly for electricity distribution services on an estimation of usage based on certain metering data from electricity retailers. As final wash-up metering data is not available for periods in excess of twelve months, it is possible that the final amounts payable or receivable may vary from that calculated.

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Discount to customers
In February each year the Group credits the customers of the network an annual discount. This discount is made up of a fixed and variable consideration based on the customer's volume of distribution services consumed over the previous 12 months.

Contracting revenue
The Group provides network contracting services to third parties. Such contracts are entered into before work commences. Revenue from contracting is recognised over time on a cost–to–cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Group consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15. The Group has assessed construction contracts to identify performance obligations to be delivered to customers. The assessment completed did not identify any construction contracts which required the unbundling of multiple performance obligations and as such under the adoption of NZ IFRS 15 there will not be a material impact on the recognition of revenue with existing contracts.

Transfer of assets from customers
Comprises revenue from assets acquired from customers where the consideration paid is below the fair value of those assets. The revenue recognised is the difference in the fair value and the consideration paid. This is recognised at a point in time, when ownership of the asset is vested to Electra.

Electricity revenue
The group generates and sells electricity to a third party. The price of each unit of electricity generated is based on the wholesale spot price market. Revenue is recognised over time as the benefits are transferred to the customer.

Alarm monitoring
The Group provides a monitoring and response service for security and medical alarms. Customers are charged a monthly fee which includes two major performance obligations; Monitoring of the alarm and response. For a number of alarms, a lease portion will be included if the customer does not retain ownership of the monitoring device. All obligations are recognised over time as Alarm Monitoring revenue as the customer receives the benefit of the monitoring service.

Other revenue primarily comprises of:

Alarm sales
For alarm sales, the Group recognises revenue at a point in time when the customer takes possession of the alarm. The amount of revenue recognised sale of alarms is the consideration received for the transfer of ownership of the associated alarm.

Alarm technical services
The Group provides technical services to install and service alarms. Materially, contracts do not extend past one day, due to this nature of the contract revenue is recognised at a point in time immediately after the contract is complete.

Revenue*

	2019	2018
	$000	$000
Distribution revenue	**33,050**	31,582
Discount to customers	**(7,900)**	(7,700)
Pass through and recoverable cost revenue	**10,898**	11,669
Transfer of assets from customers	**1,450**	1,038
Contracting revenue	**3,318**	2,165
Electricity revenue	**2,605**	710
Alarm monitoring	**4,767**	1,096
Other revenue	**1,569**	1,865
	49,757	42,425

** Discontinued operations have been separated out*

2 OTHER EXPENSES*

	2019	2018
	$000	$000
Transmission charges	**10,898**	11,669
Remuneration of auditors	**215**	172
Bad debts	**164**	27
Change in provision for doubtful debts	**(86)**	(20)
Depreciation and amortisation expenses	**11,979**	10,232
Impairments	**-**	407
Employee benefits expense	**9,481**	7,198
Inventory expense	**4,653**	1,512
Contractors	**1,646**	1,239
Vehicle expenses	**472**	719
Other expenses	**8,780**	6,419
	48,202	39,574

Remuneration of auditors*

	2019	2018
	$000	$000
Audit of the financial statements	**155**	118
Audit related services	**60**	53
	215	171

** Discontinued operations have been separated out. Refer note 3 for audit fees relating to discontinued operations.*

3 DISCONTINUED OPERATIONS

On 4 May 2018, the Group entered into a sale agreement to dispose of the telecommunications business of Sky Communications Limited. The disposal of the telecommunications business is consistent with the Company's long-term policy to focus its activities in the electricity networks and alarm monitoring business. The disposal was completed on 18 May 2018, on which date control of the telecommunications business passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 22.

Analysis of the profit for the year from discontinued operations

The results of the discontinued operations included in the profit for the year are set out below. The comparative profit and cash flows from discontinued operations have been represented to include those operations classified as discontinued in the current year.

	2019	2018
Profit / (loss) for the year from discontinued operations	**$000**	$000
Revenue	**541**	11,481
Other gains	**(1)**	182
	540	11,663
Expenses*	**(662)**	(10,992)
Profit / (loss) before tax	**(122)**	741
Attributable income tax expense	**34**	(271)
Earnings for the year from discontinued operations	**(88)**	470
Gain on disposal of operation (see note 22)	**2,505**	475
Profit / (loss) for the year from discontinued operations	**2,417**	945
Cash flows from discontinued operations		
Net cash inflows from operating activities	**633**	644
Net cash inflows / (outflows) from investing activities	**(4)**	1,452
Net cash (outflows) from financing activities	**-**	(2,268)
Net cash inflows / (outflows)	**629**	**(172)**

**Audit fees amounting $5k (2018: $31k) are included in Expenses.*
[1]Audit related services comprise the review of Electra Limited's regulatory disclosures in accordance with the Electricity (Information Disclosure) Requirements under Part 4 of the Commerce Act 1986 and amendment notices.

4 TAX

Current tax is based on the net profit for the year adjusted for non-deductible expenditure and non-assessable income, plus any adjustments to income tax payable in respect of prior years. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for the current and prior years is recognised as a liability (or asset) to the extent that it is unpaid or refundable.

Deferred tax is accounted for in accordance with IFRS, which requires that the full impact of accounting adjustments, including revaluations are accounted for in calculation of the total liability.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised as an expense or income in the Consolidated Statement of Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the current or deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination in which case it is taken into account in the determination of goodwill or excess.

Income Tax	**2019**	2018
	$000	$000
Profit before tax from continuing operations	**2,520**	3,558
Tax @ 28%	**706**	996
Tax effect of:		
Permanent differences	**(345)**	(98)
Prior year adjustment	**18**	(134)
Tax expense from continuing operations	**379**	764

Tax expense comprised of:		
Current tax expense	**787**	1,155
Deferred tax benefit*	**(408)**	(391)
Total tax expense from continuing operations	**379**	764

**excluding deferred tax expense from discontinued operations of 2019: nil (2018: $247k benefit)*

Deferred Tax

	Opening Balance **$000**	Charged to income **$000**	Charged to Other Comprehensive Income **$000**	Acquisitions / disposals **$000**	Closing Balance **$000**
Net deferred tax liabilities					
Provisions	172	116	-	-	288
Doubtful debts	356	(24)	-	-	332
Property, plant and equipment	(32,296)	(16)	96	208	(32,008)
Intangibles	(457)	332	-	(1,482)	(1,607)
Sale of business	(9)	-	-	9	-
As at 31 March 2019	**(32,234)**	**408**	**96**	**(1,265)**	**(32,995)**
Provisions	486	(285)	-	-	201
Doubtful debts	365	(9)	-	-	356
Property, plant and equipment	(32,768)	378	56	-	(32,334)
Intangibles	-	60	-	(517)	(457)
As at 31 March 2018	**(31,917)**	**144**	**56**	**(517)**	**(32,234)**

Imputation credit account	**2019**	2018
	$000	$000
Closing balance	**16,127**	16,346

5 PROPERTY, PLANT AND EQUIPMENT

The electricity distribution network is valued at fair value. Fair value is determined on the basis of a periodic independent valuation prepared by external valuers, based on an income (present value) approach. The fair values are recognised in these consolidated financial statements of the Group and are reviewed at the end of each reporting period to ensure that the carrying value of the electricity distribution network is not materially different from fair value. Consideration is given as to whether the assets are impaired.

All other land and buildings, property, plant and equipment assets are accounted for at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. The cost of assets constructed by the Group includes the cost of materials and direct labour and an allowance for overheads.

Any revaluation increase arising on the revaluation of land and buildings and the electricity distribution network is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the Consolidated Statement of Comprehensive Income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings and the electricity distribution network is charged as an expense in the Consolidated Statement of Comprehensive Income to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation is provided on plant, property and equipment, including freehold buildings but excluding land.
Depreciation on revalued buildings and the electricity distribution system is charged to the consolidated Statement of Comprehensive Income. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.
Depreciation is calculated for buildings and electricity distribution assets so as to write off the cost of each asset over its expected useful life to its estimated residual value. Other property, plant and equipment items are depreciated so as to expense the cost of the assets over their useful lives.

The following rates are used in the calculation of depreciation:

Category	
Distribution plant and equipment	1% - 50% straight line or 10% - 25% diminishing value
Other buildings at cost	2% - 36% straight line
Other plant and equipment	7.8% - 50% straight line or 10% - 39.6% diminishing value
Motor vehicles	10% - 33.3% diminishing value

	Distribution plant & equipment (incl. land & buildings) at valuation	Other land & buildings at cost	Other plant & equipment at cost	Motor vehicles at cost	Alarms held to be leased at cost	Other capital work in progress at cost	**Total**
Cost	$000	$000	$000	$000	$000	$000	$000
Balance as at 1 April 2017	207,085	3,944	8,985	6,760	-	1,673	228,447
Additions	419	-	458	1,124	-	11,596	13,597
Disposals	(717)	(57)	(955)	(517)	-	-	(2,246)
Transfer to / (from) capital work in progress	10,730	-	800	-		(11,530)	-
Balance as at 31 March 2018	**217,517**	**3,887**	**9,288**	**7,367**		**1,739**	**239,798**
Balance as at 1 April 2018	217,517	3,887	9,288	7,367	-	1,739	239,798
Additions	1,292	107	1,183	1,216	1,442	12,280	17,520
Disposals	(717)	-	(1,527)	(1,228)	-	-	(3,471)
Transfer to / (from) capital work in progress	8,912	-	770	-	(242)	(9,440)	0
Balance as at 31 March 2019	**227,004**	**3,994**	**9,715**	**7,356**	**1,200**	**4,579**	**253,847**

Cost	Distribution plant & equipment (incl. land & buildings) at valuation	Other land & buildings at cost	Other plant & equipment at cost	Motor vehicles at cost	Alarms held to be leased at cost	Other capital work in progress at cost	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Balance as at 1 April 2017	(24,244)	(399)	(4,542)	(2,969)	-	-	(32,154)
Depreciation charge	(8,247)	(85)	(890)	(540)	-	-	(9,762)
Write back on disposals	168	39	666	405	-	-	1,278
Impairment	-	-	(257)	-	-	-	(257)
Balance as at 31 March 2018	**(32,323)**	**(445)**	**(5,023)**	**(3,104)**	**-**	**-**	**(40,895)**
Balance as at 1 April 2018	(32,323)	(445)	(5,023)	(3,104)	-	-	(40,895)
Depreciation charge	(8,503)	(80)	(1,127)	(598)	-	-	(10,308)
Write back on disposals	181	-	1,195	676	-	-	2,052
Impairment	-	-	-	-	-	-	-
Balance as at 31 March 2019	**(40,645)**	**(525)**	**(4,955)**	**(3,026)**	**-**	**-**	**(49,151)**
Carrying amounts							
Balance as at 31 March 2018	185,194	3,442	4,265	4,263	-	1,739	198.903
Balance as at 31 March 2019	**186,359**	**3,469**	**4,760**	**4,330**	**1,200**	**4,579**	**204,697**

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Revaluation and impairment review

In carrying out the revaluation of the network distribution assets judgement was required in regards to the assumptions and estimates used in the valuation model.

The Group's distribution assets (excluding land and buildings) and the electricity distribution network underwent a fair value assessment in March 2017 by Richard Krogh, of independent valuers Energia Limited, using an income (present value) approach. This approach was considered to be the most appropriate valuation technique given the current electricity industry environment and the availability of input data. The Group adopted this valuation as the value of the assets is within the fair value range as calculated by Richard Krogh and no revaluation adjustments have been made.

The Group has engaged Richard Krogh at 31 March 2019 to determine whether there were any indicators that there was any material movement from the last valuation of the Group's distribution assets. It was determined that there was no material movement.

In carrying out a review of the value in use of Electra's generation assets, a number of assumptions and estimates are used that require significant judgement. Estimation uncertainty relates to future wholesale electricity spot prices, Avoided Cost of Transmission (ACOT) continuing benefits, run-time and operating cost assumptions.

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Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

	2019 $000	2018 $000
Capitalised borrowing costs	**70**	100
Average interest rate	**3.3%**	3.4%

6 GOODWILL AND INTANGIBLE ASSETS

Software - Computer software is capitalised as an intangible asset of finite life on the basis of the costs incurred to acquire and bring the software into service and it is amortised over its expected useful economic life on a diminishing value basis. Costs associated with improving and maintaining computer software programmes are recognised as expenses as incurred.

Goodwill - Goodwill representing the excess of the cost of acquisition over the fair value of identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and is not amortised but is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the Consolidated Statement of Comprehensive Income and not subsequently reversed.

Easements - Easements obtained in relation to access, construction and maintenance of electricity distribution system assets are capitalised as assets to the extent of survey, legal and registration costs and any lump sum payments made to landowners in exchange for certain rights. Such easements are capitalised and amortised over the duration of the agreement.

Customer Lists - Customer lists acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their expected finite life of 5 years.

Gross carrying amount	**Software**	**Goodwill**	**Easements**	**Customer lists**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**
Balance as at 1 April 2017	6,991	10,410	188	-	17,589
Additions	1,097	517	67	1,845	3,526
Disposals	(2,387)	-	-	-	(2,387)
Balance as at 31 March 2018	**5,701**	**10,927**	**255**	**1,845**	**18,728**
Balance as at 1 April 2018	5,701	10,927	255	1,845	18,728
Additions	808	132	-	5,292	6,232
Disposals	(197)	(1,021)	-	-	(1,218)
Balance as at 31 March 2019	**6,312**	**10,038**	**255**	**7,137**	**23,742**
Accumulated amortisation and impairment losses					
Balance as at 1 April 2017	(4,217)	(10,001)	(73)	-	(14,291)
Amortisation expenses	(548)	-	(9)	(215)	(772)
Impairment	-	(150)	-	-	(150)
Disposals	1,291	-	-	-	1,291
Balance as at 31 March 2018	**(3,474)**	**(10,151)**	**(82)**	**(215)**	**(13,923)**
Balance as at 1 April 2018	(3,475)	(10,151)	(82)	(215)	(13,923)
Amortisation expenses	(478)	-	(8)	(1,185)	(1,671)
Impairment	-	-	-	-	-
Disposals	150	1,021	-	-	1,171
Balance as at 31 March 2019	**(3,803)**	**(9,130)**	**(90)**	**(1,400)**	**(14,423)**
Carrying amounts					
As at 31 March 2018	2,227	776	173	**1,630**	4,806
As at 31 March 2019	**2,509**	**908**	**165**	**5,738**	**9,319**

Impairment

Goodwill has been allocated at the cash generating unit (CGU) level. The recoverable amount of the subsidiary is its value in use. Electra has performed impairment testing on the subsidiary business operations and has recognised the following impairment losses because the financial results have not returned what was expected; therefore the future cash flows of the current business activities have been reassessed.

	2019	2018
	$000	$000
Electra Generation Limited	**-**	150
Impairment loss reported	**-**	150

E Determining whether there has been impairment in relation to goodwill requires an assessment of the value in use of the cash generating assets with which the goodwill is associated. This is undertaken by estimating the future cash flows expected to arise and using a suitable discount rate to estimate the present value of the future cash flows.

The key assumptions used are free cashflow, discounting rate and terminal value. The directors believe that any reasonably possible

change in key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

Electra Generation Limited

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors, terminal value, and a discount rate of 6.8% (2018: 8.5%) per annum. Electra performs annual impairment testing on this goodwill which resulted in nil impairment in the current year (2018: $0.2m).

Electra Services Limited

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors, then perpetuity and a discount rate of 7.7%. Electra performs annual impairment testing on its goodwill which did not result in an indicator of impairment in the current year (2018: nil)

7 RECEIVABLES AND PREPAYMENTS

P *Trade receivables are initially measured at fair value and are subsequently recognised at amortised cost less impairment using the effective interest method. All known bad debts are written off during the financial year.*

	2019	2018
	$000	$000
Trade receivables	**4,330**	6,046
Other receivables and accruals	**1,166**	1,708
Prepayments	**350**	189
	5,846	7,943
Less allowance for credit losses	**(271)**	(235)
	5,575	7,708

The Group's exposure to credit risk and impairment losses related to trade receivables are disclosed in Note 17: Financial Risk Management.

8 FINANCE RECEIVABLES

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Finance receivables

Finance receivables, comprising mortgage advances, are initially measured at fair value at trade date and are subsequently measured at amortised cost under the effective interest method plus any directly attributable transaction costs, less any lifetime expected credit losses

Finance receivables include:
Impaired assets:

- Non-accrual loans being loans where we do not expect to be able to collect all the amounts owing in terms of the contract and therefore a credit loss is required under NZ IFRS 9 (but is not a restructured asset).

- 'Assets acquired through security enforcement' being assets acquired in full or partial satisfaction of outstanding loans.

Subsequent to balance date, Electra signed a deed of settlement to satisfy the debt owed to Electra. See note 25 for details
Finance lending is provided to clients in the form of mortgages.

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A key area of estimation is the expected credit loss provision reflecting the non-performance of the counterparties to finance receivables. A degree of estimation has been required to determine the level of current risk inherent within the loan. The historical loss experience is adjusted based on the current observable data and events and discounted future cash flow projections.

	2019 $000	2018 $000
Finance receivables	**2,400**	2,538
Allowance expected credit losses	**(400)**	(1,038)
Total finance receivables	**2,000**	1,500
Due for repayment		
Current	**1,568**	1,500
Non-current	**432**	-
Total	**2,000**	1,500

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Bad debts and doubtful debts provisioning

Finance receivables are written down, by way of a specific write-off, to their expected net collectable amounts with the amount written off or provided recognised as an expense in the Consolidated Statement of Comprehensive Income, comprising:

- Specific provisions: these are raised when there is objective evidence (identified on a counterparty by counterparty basis) that an impairment loss has been incurred. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows using the original effective interest rate. The Company identifies impaired assets where the security has been repossessed and sold due to a breach of agreement. Also where the security has become damaged or written off.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down or allowance is reversed through the Consolidated Statement of Comprehensive Income.

9 INVENTORIES AND WORK IN PROGRESS

Inventories are valued on the basis of the lower of cost and net realisable value. Cost is determined on the basis of weighted average of purchase costs. Due allowance is made for damaged and obsolete inventory. Work in progress comprises the cost of direct materials and labour together with direct overheads.

Net realisable value is the estimated amount the inventories are expected to realise in the ordinary course of business less an estimate of any costs to completion and applicable variable selling expenses.

	2019	2018
	$000	$000
Inventory - Finished goods	**547**	850
Inventory - Work in progress	**19**	181
	566	1,031

Judgement has been exercised in assessing the level of any unrecoverable work in progress.

10 TRADE AND OTHER PAYABLES

Trade payables
Trade payables and other accounts payable are recognised at fair value when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are subsequently recognised at amortised cost.

Liabilities in respect of employee entitlements
Employee entitlements expected to be settled within the next 12 months are measured at the amounts expected to be paid when the obligations are settled. Liabilities made in relation to employee entitlements, which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees to the Group up to the reporting date. In relation to retirement gratuities, the present value calculations also provide for the probability of the employees completing employment to the point of entitlement (retirement).

Liabilities include employee entitlements in relation to wages and salaries, annual leave, long service leave, retiring gratuities and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

	2019	2018
	$000	$000
Trade payables	**2,816**	3,057
Other payables	**1,038**	759
Accruals	**678**	587
Liabilities in respect of employee entitlements	**951**	955
	5,483	5,358

Judgement has been exercised in calculating estimates for retiring gratuities.

11 SHARE CAPITAL

All shares rank equally with one vote attached to each fully paid share, have no par value and are issued and fully paid.

	2019	2018
	000	000
Number of shares		
Balance at beginning of year	**24,465**	24,465
Shares issued during the year	**-**	-
Balance at end of year	**24,465**	24,465

Fully paid ordinary shares	**$000**	$000
Balance at beginning of year	**18,000**	18,000
Shares issued during the year	**-**	-
Balance at end of year	**18,000**	18,000

12 DIVIDENDS

	2019	2018
	$000	$000
Dividends paid	**300**	300
Cents per share	**1.23**	1.23

Dividends were paid during the year to the Electra Trust. There is no proposed final dividend.
A dividend of $330,000 payable to the Electra Trust was declared on 6 June 2019.

13 COMMITMENTS

Capital commitments

At balance date, there was $1,145,000 commitments contracted for and approved by the Group (2018: $665,000)

	2019	2018
	$000	$000
Distribution network	**860**	29
Intangible assets	**-**	66
Property, Plant & Equipment	**-**	290
Inventories	**285**	280
	1,145	665

Distribution network expenditure will be incurred when the work is completed (estimated to be over the next 12 months).

14 RENTAL AND LEASES

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Operating Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating profit in equal instalments over the lease term. There are no leases classified as finance leases.

Rental and operating lease commitments	2019 $000	2018 $000
No later than one year	**394**	456
Later than one year and not later than five years	**1,087**	973
Later than five years	**285**	520
	1,766	1,949

The majority of the lease commitments are for building accommodation. The remainder relate to vehicles and equipment.

There are no contingent rents payable and all leases are subject to renewals at the election of the Group.

15 CONTINGENT LIABILITIES

Electra Limited, Sky Communications Limited and Electra Services Limited in its ordinary course of business undertakes various contracting works, some of which will be subject to customer disputes.

There is no indication that any liability with regard to disputes will crystallise in the foreseeable future.

16 STATEMENT OF CASH FLOWS

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Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks (including bank overdrafts), demand deposits and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within debt finance in current liabilities in the Consolidated Statement of Financial Position.

Cash flows are inflows and outflows of cash and cash equivalents.

Operating activities are the principal revenue-producing activities of the group and other activities that are not investing or financing.

Investing activities are the acquisition and disposal of long term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Group.

	2019 $000	2018 $000
Reported profit after tax	**4,558**	3,739
Adjustments for:		
Depreciation and amortisation	**11,993**	10,534
Gain on sale of business operations	**(2,505)**	(475)
Assets adjustment to income	**(1,450)**	(1,038)
Loss on sale of Property, Plant & Equipment	**288**	429
Tax expense recognised in profit or loss	**345**	1,035
Share of profit in Joint Venture	**(1,294)**	-
Other income derived from business acquisition	**(238)**	-
Goodwill impairment	**-**	150
Impairment of Property, Plant & Equipment	**-**	257
Movements in working capital:		
Increase / (decrease) in accounts payable and other provisions	**126**	(1,470)
Decrease in trade receivables	**2,133**	764
(Increase) / decrease in finance receivables	**(500)**	44
(Increase) / decrease in inventory and work in progress	**465**	(53)
Movements in working capital relating to business purchases / disposals	**(416)**	30
Income taxes paid	**(1,103)**	(1,899)
Net cash inflow from operating activities	**12,402**	12,047

17 FINANCIAL RISK MANAGEMENT

Ⓟ Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Interest and dividends are classified as expenses or as distributions of profit consistent with the Consolidated Statement of Financial Position classification of the related debt or equity instruments or component parts of compound instruments. Financial assets and liabilities are not offset unless there is a legally enforceable right, or where required by a standard.

Credit risk

Credit risk is the potential that the counterparty to a financial transaction will fail to perform according to the terms and conditions of the contract, thus causing a loss.

Financial assets which potentially subject the Group to credit risk principally consist of bank balances and accounts receivable which the Company consider is covered within the general liquidity management.

The Group manages their principal credit risk by having Use of System Agreements with its major customers and performing credit evaluations on customers requiring advances.

The status of trade receivables as at reporting date is as follows:	**Gross 2019 $000**	**Impairment 2019 $000**	Gross 2018 $000	Impairment 2018 $000
Not past due	**3,674**	**(1)**	4,787	-
Past due 0 - 30 days	**123**	**(11)**	280	-
Past due 31 - 60 days	**32**	**(6)**	256	-
Past due more than 60 days	**501**	**(253)**	723	(235)
Total trade receivables	**4,330**	**(271)**	6,046	(235)

No interest is charged on trade receivables outstanding

Movement in impairment allowance for expected credit losses	**2019 $000**	2018 $000
Balance at beginning of year	**(235)**	(220)
Amount charged to the statement of comprehensive income	**(86)**	(20)
Provisions reversed	**50**	5
	(271)	(235)

The above maximum exposures are gross of any recognised provision for losses on these financial assets. No collateral is held on the above amounts. The trade receivables are within their contractual terms and are considered to be collectible. In accordance with the Group's Treasury policy Bank balances in short term deposits are made with registered banks. The registered banks currently have a credit rating of AA-.

Concentrations of credit risk

The Group has exposure to concentration of credit risk by having electricity retailer customers. This is managed as mentioned above through the Use of System Agreements.

Foreign currency risk

At balance date, the Group had entered into the following Forward Exchange Contracts expressed in New Zealand dollars. These contracts are expected to be settled within 3 months of balance date. The Group does not recognise hedge accounting on these contracts.

2019 Movement on exchange rate	Net exposure $000	Impact on pre-tax profit or (loss) $000
US Dollar	285	nil

2018 Movement on exchange rate	Net exposure $000	Impact on pre-tax profit or (loss) $000
US Dollar	280	nil

Interest rate risk

Liabilities

The interest rate risk exposure is limited to bank borrowings. The Company has no interest hedge contracts.

Fair values

The carrying amounts recorded in the Consolidated Statement of Financial Position are considered to be their fair values for all classes of financial instruments with the exception of bank borrowings and amounts which are not able to be determined because there is no available market data.

Borrowings

Borrowings are recorded initially at fair value net of any transaction costs. Borrowings are subsequently recognised at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Consolidated Statement of Comprehensive Income over the year of the borrowing using the effective interest method. Borrowings are classified as non current liabilities where the Group holds an agreement with the lender which includes the right to settle the liability in an accounting year at least 12 months after the balance date. Borrowing costs are expensed using the effective interest method, except for the capitalised borrowing costs.

Interest rate risk profile of financial assets and liabilities

The interest rate risk profile of on-balance sheet financial assets and financial liabilities has been prepared on the basis of maturity or contractual repricing whichever is the earlier.

Financial instrument carrying values by category

As at 31 March 2019	Int Rate %	Total $000	0-12 mths $000	1-2 years $000	3-5 years $000
Financial assets at amortised cost					
Cash and cash equivalents	1.00	1,405	1,405	-	-
Trade and other receivables		5,225	5,225	-	-
Finance receivables		2,000	1,568	-	432
Total financial assets measured at amortised cost		**8,630**	**8,198**	**-**	**432**
Financial assets measured at FVTPL					
Investment		1,500	1,500	-	-
Total financial assets measured at FVTPL		**1,500**	**1,500**	**-**	**-**
Financial liabilities					
Trade and other payables		5,483	5,483	-	-
Debt finance	3.09 - 4.50	52,770	17,810	18,945	16,015
Total financial liabilities at amortised cost		**58,253**	**23,293**	**18,945**	**16,015**
As at 31 March 2018					
Financial assets					
Cash and cash equivalents	1.00	1,429	1,429	-	-
Trade and other receivables		7,519	7,519	-	-
Investment		1,500	1,500	-	-
Finance receivables		1,500	1,500	-	-
Total financial assets at amortised cost		**11,948**	**11,948**	**-**	**-**
Financial liabilities					
Trade and other payables		5,358	5,358	-	-
Debt finance	2.67 - 4.95	38,200	38,200	-	-
Total financial liabilities at amortised cost		**43,558**	**43,588**	**-**	**-**

Liquidity risk

Liquidity risk represents the risk that the Group may not have the financial ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. While total financial liabilities exceed total financial assets, facilities of $59.85m (2018: $49.85m) exist with the Bank of New Zealand, of which amounts are drawn down to cover shortfalls in liquidity. At balance date $52.8m had been drawn down (2018: $38.2m), $17.8m maturing within two month after balance date. On 21 May 2019 $18m was refinanced with the Bank of New Zealand under a two year facility. The Group uses the facility based on forecasted expectations in regards to it being able to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

The following table outlines undiscounted cash flows including any accrued interest based on contractual maturities however actual repayments may differ. While most finance receivables are showing in the table with contractual maturities of 0-6 months it is expected some of these will be rolled over at the discretion of the Board.

Contractual maturity analysis
Financial instrument maturity values by category

As at 31 March 2019	Int Rate %	Total $000	On call $000	0-6 months $000	1-2 years $000	3-5 years $000
Financial assets						
Cash and cash equivalents	1.00	1,405	1,405	-	-	-
Trade and other receivables		5,225	-	5,225	-	-
Investment		1,500	-	1,500	-	-
Finance receivables		2,000	-	1,568	-	432
Total financial assets		**10,130**	**1,405**	**8,293**	**-**	**432**
Financial liabilities						
Trade and other payables		5,483	-	5,483	-	-
Debt finance	3.09-4.50	52,770	-	17,810	18,945	16,015
Total financial liabilities		**58,253**	**-**	**23,293**	**18,945**	**16,015**
As at 31 March 2018						
Financial assets						
Cash and cash equivalents	1.00	1,429	1,429	-	-	-
Trade and other receivables		7,519	-	7,519	-	-
Investment		1,500	-	1,500	-	-
Finance receivables		1,500	-	1,500	-	-
Total financial assets		**11,948**	**1,429**	**10,519**	**-**	**-**
Financial liabilities						
Trade and other payables		5,368	-	5,358	-	-
Debt finance	2.67-4.95	38,200	-	38,200	-	-
Total financial liabilities		**43,558**	**-**	**43,558**	**-**	**-**

Capital Management

The Group's capital includes share capital, asset revaluation reserves and retained earnings. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group is subject to the following capital requirements and covenants:

(a) The Statement of Corporate Intent imposes a restriction that the Company will maintain shareholder funds at not less than 60% (2018:60%) of total assets.

(b) Bank Covenants
   i. Ratio of EBIT (Group earnings before interest, taxation and customer discounts) to interest paid to be no less than 2.0 times.
   ii. Annual Group consolidated statement of financial position and Group consolidated statement of comprehensive income to be provided within 120 days of balance date
   iii. Interim accounts to be provided upon request
   iv. Cash flow forecasts/budgets for the ensuing year to be provided to the bank upon request
   v. Group equity to be maintained at no less than 35% of total tangible assets at all times

The Group has complied with all covenants during the year.

Fair Values

Fair value hierarchy

Financial instruments carried at fair value are classified by valuation method based on the following hierarchy

Level 1: quoted price (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The investment classified as a financial asset measured at fair value through profit and loss is the only financial instrument carried by the Group at fair value, with a Level 3 valuation method applied.

18 INVESTMENTS

Investments measured at FVTPL	Current		Non Current	
	2019	2019	**2018**	2018
	$000	$000	**$000**	$000
Investment in Pulse Energy Alliance Partnership	**1,500**	1.500	**-**	-
Total investments measured at FVTPL	**1,500**	1,500	**-**	-

The Group holds a 4.08% ownership in the Pulse Energy Alliance Partnership, a partnership which in involved in electricity retailing. The Group does not have significant influence over the Pulse Energy Alliance Partnership. There were no distributions of profits received from this investment in the year (2018: nil).

19 INVESTMENT IN JOINT VENTURE

The Group holds a 50% joint ownership in Connect 8 Limited, a business which is involved in contracting construction for the water, power and telecommunications sectors. The Group has joint control over Connect 8. There were no distributions of profits received from this investment in the year.

Summarised financial information for each of the Groups' material joint ventures is set out below.

	2019	**2018**
Connect 8 Limited	**$000**	$000
Initial investment in joint venture	**10,000**	-
Share profits from joint venture	**1,294**	-
Carrying value of investment in Connect 8	**11,294**	-
Balance Sheet Information for Connect 8:		
Current assets	**13,347**	-
Non-current assets	**11,637**	-
Total assets	**24,984**	-
Current liabilities	**(9,320)**	-
Non-current liabilities	**-**	-
Total liabilities	**(9,320)**	-
Equity	**15,664**	-
Equity accounted earnings comprise		
Revenues - 100%	**37,733**	
Profits from continuing operations - 100%	**2,588**	
Profits from continuing operations - Electra share	**1,294**	

20 INTERESTS HELD BY GROUP

Subsidiaries

Subsidiaries are all those entities over which the Group has control.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the excess is credited to profit or loss in the period of acquisition.

Investments

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Name of entity	**Principal activities**	**Classification**	**2019**	2018
Electra DNZ Limited	Non Trading	Subsidiary	100%	100%
Electra Finance Limited	Financing	Subsidiary	100%	100%
Electra Generation Limited	Electricity Generation	Subsidiary	100%	100%
Electra Services Limited	Security Monitoring	Subsidiary	100%	100%
Sky Communications Limited	Telecommunications	Subsidiary	0%	100%
Sky Comms Australia PTY Limited	Non Trading	Subsidiary	0%	100%
Horowhenua Wind Energy Limited	Non Trading	Subsidiary	100%	100%
Pulse Energy Alliance LP	Electricity Retailing	Investment	4%	4%
Connect 8 Limited	Telecommunications	Equity Investment	50%	0%

The effective ownership and the voting interests in the above subsidiaries are the same.

All subsidiaries and investments have a balance date of 31 March, with the exception of Connect 8 Limited who has a date of 30 June.

21 BUSINESS COMBINATIONS

On 22 June 2018, the Group acquired the Bupa Medical Alarms business, which principal activity is alarm sales, installation and monitoring. Bupa was acquired to continue the expansion of the Group's alarm monitoring business.

Consideration transferred	**2019 $000**
Consideration transferred in cash	**4,250**
Other consideration	**23**
Total consideration transferred	**4,273**
Acquisition-related costs have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year.	

Assets acquired and liabilities recognised at the date of acquisition	**2019 $000**
Current assets	
Trade and other receivables	154
Non-current assets	
Customer list	4,126
Plant and equipment	1,083
Vehicles	200
Current liabilities	
Revenue received in advance	69
Employee entitlements	66
Non-current liabilities	
Deferred tax liability	(947)
Profit and loss	
Other income	**(208)**
	4,273

Consideration transferred	**2019 $000**
Consideration transferred in cash	**605**
Other consideration	**380**
Total consideration transferred	**985**
Acquisition-related costs have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year.	

Assets acquired and liabilities recognised at the date of acquisition	**2019 $000**
Non-current assets	
Customer list	1,167
Plant and equipment	20
Current liabilities	
Revenue received in advance	(7)
Non-current liabilities	
Deferred tax liability	(327)
	853

Goodwill arising on aquisition	**2019 $000**
Consideration transferred	985
Less: fair value of identifiable net assets acquired	853
Goodwill arising on acquisition	**132**

The amortisation of the customer list will not be deductible for tax purposes.

On 1 May 2018, the Group acquired the Main Security Co (Kapiti) business, which principal activity is alarm installation and monitoring. Main Security was acquired to continue the expansion of the Group's alarm monitoring business.

The business combinations in the current year were both acquired to continue the expansion of the Group's alarm monitoring business and were consequently integrated into the normal operations of the business, therefore, the disclosure of current period financial performance for these acquisitions cannot be separately disclosed.

22 DISPOSAL OF OPERATIONS

On 18 May 2018, the Group disposed of the telecommunications business Sky Communications Limited

Consideration received	**2019 $000**
Consideration received in cash and cash equivalents	4,000
Total consideration received	**4,000**
Analysis of assets and liabilities over which control was lost	
Current Assets	
Cash and cash equivalents	808
Trade receivables	301
Inventories	81
Prepayments	141
Work in progress	84
Accrued Revenue	87
Non-current assets	
Property, plant and equipment	671
Current Liabilities	
Payables	(617)
Provisions	(52)
Deferred Tax Liabilities	(9)
Net assets disposed of	**1,495**
Gain on disposal of operations	
Consideration received	4,000
Net assets disposed of	1,495
Gain on disposal	**2,505**

The gain on disposal is included in the profit for the year from discontinued operations (see note 3).

Net cash inflow on disposal of operations	**2019 $000**
Consideration received in cash and cash equivalents	4,000
Less: cash and cash equivalent balances disposed of	(808)
	3,192

23 TRANSACTIONS WITH RELATED PARTIES

Directors

During the year no transactions were entered into with any of the Group's Directors other than the payment of Directors fees and the reimbursement of valid Group related expenses such as travel costs to board meetings.

Some of the Directors are also consumers of the Group's products and services at market prices.

24 KEY MANAGEMENT PERSONNEL

The compensation of the Directors and executives, being the key management personnel of the entity, is set out below:

	2019 $000	2018 $000
Short-term employee benefits	**1,875**	2,382
Defined contribution plans	**75**	71
Termination benefits	**156**	-
	2,106	2,453

Some of the above employees are provided with the use of a company motor vehicle not included in the above calculation.

25 SUBSEQUENT EVENTS

On 18 April 2019 Electra signed a deed of settlement with The Mill Industrial Park Limited to satisfy the debt owed to Electra. On 24 April 2019 the first consideration of $1.4m was received by Electra.

On 21 May 2019 Electra renewed their maturing debt facility with BNZ. This facility totalling $18m was financed for a further two year period.

26 OPERATIONAL TARGETS

Four key value drivers have been identified linking Electra's strategy to the operational targets and measures that are critical to achieving Electra's strategy. These drivers are Revenue, Profit, Assets and People and the performance against key targets set in the Statement of Corporate Intent are evaluated below:

1) Asset Targets

Service Standards

Electra has service performance targets for its electricity lines business, such as responding to service requests within a specified time. These targets assist in driving continuous improvement and the measurement here is the number of non-performance to service standards where the specified time is exceeded. This target was not met in 2019 due to multiple faults.

	Actual	Target
Number of non-performance to service standards	2,363	<384

Capital Ratio

Electra aims to maintain consolidated shareholders' funds at not less than 63% of consolidated total assets. This target was not met in 2019 due to a 9% increase in the Group's total assets. This increase is consistent with Electra's Strategic Pillar to "Grow the Business".

	Actual	Target
Consolidated Shareholders Funds to Total Assets percentage	61%	>63%

Network Reliability

Electra aims to uphold a level of electricity network reliability (as defined by the Electricity Distribution Information Disclosure Determination 2012). These include factors of SAIDI (average duration of supply interruptions per connected consumer) and SAIFI (average number of supply interruptions per connected consumer). The SAIDI target was not met in 2019, mainly due to an increase in planned maintenance outages.

	Actual	Target
Minutes per year (SAIDI)	89	<83
Times per year (SAIFI)	1.26	<1.66

2) Profit Targets

The Group net profit after tax target has been met in 2019. The subsidiaries net profit was below target.

	Actual	Target
Group Net Profit after Tax	$4.6m	$3.6m
Subsidiaries Net (Loss) after Tax	($2.6m)	$0.9m
Group Return on Equity (post discount & tax)	3.1%	2.5%
Group Return on Equity (pre discount & tax)	9%	9%

3) Revenue Targets

Strong revenues will allow Electra to maintain discounts payments and positive returns. A key driver of revenue is the number of consumers in Electra's network. These targets were met in 2019.

	Actual	Target
Sales Discount (excl GST)	$7.9m	$7.9m
Number of Consumers	44,987	>44,500

4) People Targets

Electra is committed to promoting a culture of health and safety where harm to our people in the workplace is unacceptable. To reiterate this policy the Electra Group holds a target of nil for Lost Time Injuries (LTIs) such as work related recordable injury or illness resulting in lost time from work.

	Actual	Target
Lost Time Injuries (LTIs)	3	0

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF ELECTRA LIMITED'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2019.

The Auditor-General is the auditor of Electra Limited Group (the 'Group'). The Auditor-General has appointed me, Mike Hoshek, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements and the performance information of the Group on his behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 55 to 79, that comprise the consolidated statement of financial position as at 31 March 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on page 79.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2019; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and
- the performance information of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2019.

Our audit was completed on 6 June 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is also responsible on behalf of the Group for preparing performance information that is fairly presented.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of the shareholder taken on the basis of these financial statements and performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance;
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as

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a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements and performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 6 to 51 and pages 83 to 85, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out two engagements in the area of other assurance services relating to the audit of regulatory disclosure statements and a report as independent appraiser, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Group.

M. Hoshek

Mike Hoshek
Deloitte Limited
On behalf of the Auditor-General
Christchurch, New Zealand

Statutory Information

Directors and remuneration

The following persons holding office as Directors during the year were authorised and received the following remuneration:

	Electra Limited	Skycomms Australia PTY Limited
N F Mackay	$80,000	-
J F Boshier	$40,000	-
C C Dyhrberg	$40,000	-
A I McCauley	$40,000	-
S A Mitchell-Jenkins	$40,000	-
M C Underhill	$30,000	
R G Longuet	$13,333	
D L Masters	-	$1,250
	$283,333	**$1,250**

Entries recorded in the interest register

The following entries were recorded in the Interest Register of the Company and its subsidiaries during the year:

a. Directors' interests in transactions

Directors have declared interests in transactions with the Company during the year as set out in note 22 of these financial statements.

Directors have no direct interest in the equity securities issued by the Company. Directors may be beneficiaries of the Electra Trust, which holds the shares in the Company for end-customers of the day.

b. Share dealings of Directors

Directors did not purchase or sell shares in Electra Limited or its subsidiaries during the year.

c. Loans to Directors

There were no loans made to Directors by Electra Limited or its subsidiaries during the year.

d. Directors' indemnity and insurance

The Company has insured its Directors, and the Directors of its subsidiaries, against liabilities to other parties that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

Employees' remuneration

During the year the following numbers of employees received remuneration and/or other benefits within the following bands:

Continuing employees	**Year ended 31-Mar-19**	Year ended 31-Mar-18
$100,000 - $110,000	**6**	11
$110,001 - $120,000	**9**	9
$120,001 - $130,000	**8**	6
$130,001 - $140,000	**3**	2
$140,001 - $150,000	**3**	4
$150,001 - $160,000	**2**	-
$160,001 - $170,000	**2**	2
$180,001 - $190,000	**-**	1
$190,001 - $200,000	**2**	2
$200,001 - $210,000	**1**	-
$210,001 - $220,000	**-**	1
$220,001 - $230,000	**1**	1
$230,001 - $240,000	**1**	1
$240,001 - $250,000	**1**	-
$270,001 - $280,000	**1**	-
$280,001 - $290,000	**-**	1
$300,001 - $310,000	**1**	1
$310,001 - $320,000	**-**	1
$410,001 - $420,000	**-**	1
$510,001 - $520,000	**1**	-

Some employees are also provided with the use of a Company motor vehicle not included in the above calculation.

Changes in accounting policy

There have been no changes in accounting policies during the year.

Donations

During the year the Group made donations of Nil (2018: Nil).

Registered office

Electra Limited
Cnr Exeter & Bristol Sts,
LEVIN

Postal address

P O Box 244, LEVIN
Telephone 0800 353 2872
Fax 06 367 6120

Directors

Electra Limited

N F Mackay (Chair), BCA
C C Dyhrberg, BCom, LLB, MInstD
S A Mitchell-Jenkins, BBS, FCA, CMInstD
J F Boshier, FEngNZ, ME, MBA
A I McCauley, BCA, MBA, PGDFA, CA, MInstD
M C Underhill, BE(elect), MCom(hons), FEngNZ, MInstD

Skycomms Australia Pty Limited

D L Masters, AICD

Executive

N P Simmonds (CE – Electra Group), JP, MBA, BE, FEngNZ
D W Toon (CFO – Electra Group), BCA, BA, LLM, Sloan MSC, CA, ICSA, MInstD
M G Feickert (GM – Lines Business), BEng, FIE Aust
J R McKirdy (Business Services Manager - Electra Group)
D M Andrews (CIO - Electra Group), MBA, Dip Bus Mgmt, MIITP
M K F Smith (GM – Electra Services), BBS
J A Beale (General Counsel - Electra Group), LLB, AGNZ
L A Smith (Head of Growth and Acquisition - Electra Group), MNZM

Electra Trust Trustees

S M Crosbie (Chairperson), CNZM, OBE
L R Burnell, QSM
J L Yeoman, BBS, ACA, FCIS
R J Latham
B J Duffy, ONZM, JP
J Holborow, M Mus

Auditor

Mike Hoshek
Deloitte Limited
Christchurch
On behalf of the Auditor-General

Solicitors

C S Law - Levin
Quigg Partners - Wellington

Bankers

Bank of New Zealand

Notice of annual meeting

Notice is hereby given that the Annual Meeting of Shareholders of Electra Limited will be held at the Company's Registered Office, 25 Bristol Street, Levin on Friday 26 July 2019 at 2pm.

Ordinary business

1. To receive and consider the Directors' Report, the Financial Statements and the Auditor's Report.
2. To consider the Directors' recommendations as to dividends.
3. To elect Directors.
4. To fix remuneration of the Directors for the ensuing year.
5. To record the re-appointment of the Auditor-General (or appointee) as Auditor of the Company and to authorise the Directors to fix their remuneration for the ensuing year.

By order of the Board

6 June 2019

Any member of the Company entitled to attend and vote at the Meeting may appoint another person as proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. Proxy forms must be lodged at the registered office of the Company, Cnr Exeter and Bristol Sts, P O Box 244, Levin 5540.